



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
FOR OFFICIAL USE ONLY

Report No: PAD00034

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LOAN

IN THE AMOUNT OF EUR 369.1 MILLION
(US\$400 MILLION EQUIVALENT)

TO THE
REPUBLIC OF TÜRKİYE

FOR A
TÜRKİYE SOCIALLY INCLUSIVE GREEN TRANSITION PROJECT
(P180173)
March 6, 2024

Social Sustainability and Inclusion
Europe and Central Asia

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2024)

Currency Unit = TRY

TRY 30.3620 = US\$1

US\$ 0.0329 = TRY 1

EUR 0.9226 = US\$ 1

US\$ 1.08389 = EUR 1

FISCAL YEAR

January 1 - December 31

Regional Vice President: Antonella Bassani

Country Director: J. Humberto Lopez

Regional Director: Sameh Naguib Wahba Tadros

Practice Manager: Varalakshmi Vemuru

Task Team Leader(s): Natacha Lemasle, Murat Onur

ABBREVIATIONS AND ACRONYMS

CCDR	Country Climate and Development Report
CERC	Contingent Emergency Response Component
CERIP	Contingent Emergency Response Implementation Plan
CPF	Country Partnership Framework
CSO	Civil Society Organization
DA	Development Agency
DFIL	Disbursement and Financial Information Letter
DGDA	Directorate General of Development Agencies
EHS	Environmental, Health and Safety Guidelines
EIRR	Economic Internal Rate of Return
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESS	Environmental and Social Standards
EU	European Union
FM	Financial Management
FSM	Financial Support Manual
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRS	Grievance Redress Service
ILO	International Labour Organization
IPF	Investment Project Financing
ISP	Implementation Support Plan
KAYS	Development Agencies Management System (<i>Kalkınma Ajansları Yönetim Sistemi</i>)
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation
MoIT	Ministry of Industry and Technology
MoTF	Ministry of Treasury and Finance
MoU	Memorandum of Understanding
MSMEs	Micro, Small and Medium Enterprises
NDC	Nationally Determined Contribution
NDP	National Development Plan
OECD	Organization for Economic Cooperation and Development
OHS	Occupational Health and Safety
PDO	Project Development Objective
PIU	Project Implementation Unit
POM	Project Operations Manual
PPSD	Project Procurement Strategy for Development
PSB	Presidency of Strategy and Budget
SEA/SH	Sexual exploitation and abuse/sexual harassment
SEECO	Social Entrepreneurship, Empowerment and Cohesion Project
SEP	Stakeholder Engagement Plan
SMEs	Small and Medium Enterprises
SOE	Statement of Expenditures
SORT	Systematic Operations Risk-rating Tool
STEP	Systematic Tracking of Exchanges in Procurement
ToR	Terms of Reference

TABLE OF CONTENTS

DATASHEET	1
I. STRATEGIC CONTEXT.....	1
A. Country Context.....	1
B. Sectoral and Institutional Context	2
C. Relevance to Higher Level Objectives.....	4
II. PROJECT DESCRIPTION.....	5
A. Project Development Objective.....	5
B. Project Components	5
C. Project Beneficiaries	11
D. Results Chain	12
E. Rationale for Bank Involvement and Role of Partners.....	12
F. Lessons Learned and Reflected in the Project Design	14
III. IMPLEMENTATION ARRANGEMENTS	15
A. Institutional and Implementation Arrangements.....	15
B. Results Monitoring and Evaluation (M&E) Arrangements	15
C. Sustainability.....	16
IV. PROJECT APPRAISAL SUMMARY	17
A. Technical and Economic Analysis	17
B. Fiduciary.....	18
C. Legal Operational Policies.....	19
D. Environmental and Social	19
V. GRIEVANCE REDRESS SERVICES.....	21
VI. KEY RISKS	22
VII. RESULTS FRAMEWORK AND MONITORING	24
ANNEX 1: IMPLEMENTATION ARRANGEMENTS AND SUPPORT PLAN.....	29
ANNEX 2: DETAILED PROJECT DESCRIPTION	42



DATASHEET

BASIC INFORMATION

Project Beneficiary(ies) Türkiye	Operation Name Türkiye Socially Inclusive Green Transition Project	
Operation ID P180173	Financing Instrument Investment Project Financing (IPF)	Environmental and Social Risk Classification Substantial

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternative Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date 28-Mar-2024	Expected Closing Date 31-Dec-2031
Bank/IFC Collaboration No	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to improve women and Youth economic opportunities to contribute to and benefit from the green transition.

Components

Component Name	Cost (US\$)
----------------	-------------



Component 1. Support for Inclusive and Green Investments and Entrepreneurship	211,600,000.00
Component 2. Inclusive and Green Community Economic Facilities	172,600,000.00
Component 3. Project Management and Capacity Strengthening	15,800,000.00
Component 4. Contingency Emergency Response Component	0.00

Organizations

Borrower: Republic of Türkiye
 Implementing Agency: Ministry of Industry and Technology (MOLT)

PROJECT FINANCING DATA (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? No
 Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Operation Cost	400.00
Total Financing	400.00
of which IBRD/IDA	400.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	400.00
--	--------

Expected Disbursements (US\$, Millions)

WB Fiscal Year	2024	2025	2026	2027	2028	2029	2030	2031	2032
Annual	0.00	13.00	72.00	72.00	70.00	70.00	64.00	38.60	0.40



Cumulative	0.00	13.00	85.00	157.00	227.00	297.00	361.00	399.60	400.00
------------	------	-------	-------	--------	--------	--------	--------	--------	--------

PRACTICE AREA(S)

Practice Area (Lead)

Social Sustainability and Inclusion

Contributing Practice Areas

Poverty and Equity; Gender

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Low
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Low
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Moderate
9. Overall	Substantial

POLICY COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No



Does the project require any waivers of Bank policies?

Yes No

ENVIRONMENTAL AND SOCIAL

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8: Cultural Heritage	Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

LEGAL

Legal Covenants

Sections and Description

Loan Agreement (LA), Schedule 2, Section I.A.1. The Borrower, through MoIT, maintains the MoIT Project Implementation Unit; and cause each of the 26 DAs to establish, and maintain until the completion of the Project, a Regional PIU responsible for implementing the respective DA’s Project activities, and for providing implementation support to Beneficiaries.

LA, Schedule 2, Section I.A.2. By no later than ninety (90) days following the Effective Date, the Borrower, through MoIT, shall have adopted a Financial Support Manual in form and substance satisfactory to the Bank.

LA, Schedule 2, Section I.A.3. The Borrower, through MoIT, shall carry out the Project, and shall cause the DAs to carry out Parts 1, 2, 3.A, and 3.C(ii) of the Project (which shall include causing the DAs to ensure the respective Beneficiaries carry out their contractual obligations under this Project in the same manner as required of the respective DAs), in accordance with the terms of this Agreement, the environmental and social instruments referenced in the



Environmental and Social Commitment Plan, the Project Operations Manual, including the satisfactory and timely monitoring, reporting and evaluation of the Project, and the Financial Support Manual.

LA, Schedule 2, Section I.A.6. The Borrower, through MoIT, shall provide each respective DA with financing support under Parts 1.A(i), 1.B(i), 1.B(ii)(b) and 2 of the Project only following: (a) the adoption by the Borrower, through MoIT, of the Financial Support Manual; and (b) the respective DA shall have staffed its Regional PIU with a qualified Regional PIU coordinator, procurement specialist, financial management specialist, social specialist, and environmental specialist.

LA, Schedule 2, Section I.A.7. In carrying out Part 1.A of the Project, the Borrower, through MoIT, shall: (a) competitively select, and contract with, a financial institution (or financial institutions) that shall serve as the service provider (or service providers) ... as described in Part 1.A(ii) of the Project; the procurement and selection of the said financial institution(s) shall comply with the requirements of the Procurement Regulations, and the said selection(s) and the terms of related contract(s) between the Borrower, through MoIT, and the financial institution(s) for this purpose shall be subject to the Bank's prior review and approval; and (b) disburse Loan proceeds to each individual DA for carrying out of Part 1.A(i) of the Project only after the respective DA has signed the necessary protocol with the select financial institution ... serving the DA's region for said purpose.

LA, Schedule 2, Section I.A.8. For carrying out the selection of Subprojects under Parts 1.B(i), the Borrower, through MoIT, shall cause the DAs to appoint independent evaluators, with terms of reference and qualifications acceptable to the Bank, for the assessment of proposed subprojects.

LA, Schedule 2, Section I.A.9 (a). The Borrower, through MoIT, shall cause the DAs to perform their obligations set forth in the respective Subsidiary Agreements.

LA, Schedule 2, Section I.B.1. The Borrower, through MoIT, shall maintain, throughout the period of Project implementation, the POM, in form and substance satisfactory to the Bank.

LA, Schedule 2, Section I.D.4-7. In carrying out Part 1.A(i), Part 1.B(i), Part 1.B(ii)(b), and Part 2 of the Project, the Borrower, through MoIT, shall cause the DAs to make Inclusive and Green Reimbursable Financing, Acceleration Grants, Incubation Grants, and Economic Facilities Grants available to eligible beneficiaries for the carrying out of Subprojects, all in accordance with the respective criteria, terms, and procedures acceptable to the Bank, as set forth below in the LA.

LA, Schedule 2, Section I.D.8. The Borrower, through MoIT, shall cause each DA to make Loan proceeds available to eligible Beneficiaries, in each case, under, as relevant, an Inclusive and Green Reimbursable Financing Agreement, an Acceleration Grant Agreement, an Incubation Grant Agreement, or an Economic Facilities Grant Agreement, on terms and conditions acceptable to the Bank, and as set forth in the Financial Support Manual.

LA, Schedule 2, Section I.D.9. Unless otherwise agreed to by the Bank, the Borrower, through MoIT, shall cause each DA to submit to the Bank for prior review and approval the first three (3) Subprojects proposed by the DA for Economic Facilities Grant financing under Part 2 of the Project (including the financing terms recommended by the respective DA) before approving said grants and subproject proposals, and to submit such additional subproject and financing proposals under the Project as may be requested for prior review by the Bank.

LA, Schedule 2, Section I.D.8(a). All financing extended under the Project, and the related Subprojects, may be subject to ex-post review by the Bank to verify compliance with the requirements set forth in this Agreement and the Financial Support Manual.

LA, Schedule 2, Section I.E.1 and 2. The Borrower, through MoIT, shall ensure, and shall cause each DA to ensure, that the Project is implemented in accordance with the Environmental and Social Standards, and the Environmental and Social Commitment Plan, in a manner acceptable to the Bank.

LA, Schedule 2, Section I.F.1(a), (b), and (c). In order to ensure the proper implementation of contingent emergency response activities under Part 4 of the Project ("Contingent Emergency Response Component"), the Borrower, through MoIT, shall ensure that (a) a manual ("CERC Manual") is prepared and adopted by in form and substance acceptable to



the Bank, (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Bank; and (c) the Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan.

LA, Schedule 2, Section I.G.1. The Borrower, through MoIT, shall prepare and furnish to the Bank not later than November 15 of each year during the implementation of the Project, a proposed Annual Work Plan and Budget and afford the Bank a reasonable opportunity to exchange views on each such proposed Annual Work Plan and Budget, and shall thereafter ensure that the Project is implemented with due diligence during said following year, in accordance with such Annual Work Plan and Budget as shall have been approved by the Bank.

Conditions

Type	Citation	Description	Financing Source
Effectiveness	LA, Section 5.01(a).	LA, Section 5.01(a). The Borrower, through MoIT, has established a central Project Implementation Unit within MoIT (“MoIT PIU”), with terms of reference and staffing satisfactory to the Bank, including a Project coordinator, a financial management specialist, a procurement specialist, a social specialist, and an environmental specialist for the Project;	IBRD/IDA
Effectiveness	LA, Section 5.01(b).	LA, Section 5.01(b). The Borrower, through MoIT, has adopted a Project Operations Manual in form and substance satisfactory to the Bank;	IBRD/IDA
Effectiveness	LA, Section 5.01(c).	LA, Section 5.01(c). The Borrower, through MoIT, has established and operationalized a grievance redress mechanism for the Project satisfactory to the Bank;	IBRD/IDA
Effectiveness	LA, Section 5.01(d).	LA, Section 5.01(d). The Borrower, through MoIT, has duly executed a Subsidiary Agreement with each of the twenty-six (26) DAs, respectively, all with	IBRD/IDA



		terms and conditions satisfactory to the Bank, in accordance with Schedule 2, Section I.C, to [the Loan] Agreement; and	
Effectiveness	LA, Section 5.01(e).	LA, Section 5.01(e). The Pilot Development Agencies (“Pilot DAs”) have each established a regional Project Implementation Unit (“Regional PIU”) with the minimum requirement of one Project coordinator.	IBRD/IDA
Disbursement	LA, Schedule 2, Section III.B.1(b).	LA, Schedule 2, Section III.B.1(b). No withdrawal shall be made for payments under Category (2) unless and until the Borrower, through MoIT, has prepared a standard contract, acceptable to the Bank, to be executed with the financial institution(s) under Part 1.A(ii) of the Project, as specified in Section I.A.7(a) of this Schedule; or	IBRD/IDA
Disbursement	LA, Schedule 2, Section III.B.1(c).	LA, Schedule 2, Section III.B.1(c). No withdrawal shall be made for Emergency Expenditures under Category (4), unless and until all of the following conditions have been met in respect of said expenditures: (i) (A) the Borrower has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Bank a request to withdraw Loan amounts under Category (4); and (B) the Bank has agreed with such determination, accepted	IBRD/IDA



		said request and notified the Borrower thereof; and (ii) the Borrower has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Bank.	
--	--	--	--



I. STRATEGIC CONTEXT

A. Country Context

- Türkiye has made considerable development progress, but structural challenges and macroeconomic conditions feed into economic and regional disparities.** Rapid economic growth tripled income per capita to a high of US\$11,000 in 2015, making Türkiye the world's 19th largest economy. Robust economic activity in the first three quarters of 2023 was driven by strong private sector and export performance, increase in government expenditures as well as ongoing investments despite that the country was hit by major earthquakes in February 2023. Thanks to normalization policy as well as fiscal measures taken in the second half of 2023, rebalancing in economic activity has been initiated and current account deficit declined. Despite the economic recovery in 2021, the poverty rate is projected to remain above pre-2019 levels due to high inflation. Inflation affects the lowest income households the most as they spend a higher share of income on items such as food that face higher than average inflation. In addition, the rising prices of food and energy are likely to continue disproportionately affecting the most vulnerable.
- Türkiye's geographic, climatic, and socioeconomic conditions make it highly vulnerable to the impacts of climate change and other environmental hazards, with uneven impacts across the country.** Türkiye has a high vulnerability to climate change – it ranks 48 of 182 countries in the Notre Dame Global Adaptation Initiative country vulnerability index, below peer countries. The country is already experiencing impacts of climate change, including increasing water stress, and an increase in frequency and intensity of extreme weather events (with 935 extreme events in 2018 alone, mainly from heavy rain and floods as well as wildfires). Current projections suggest a temperature increase of 3 to 4°C on average (from 2041 to 2070) and uneven changes in the precipitation patterns, which are expected to affect water availability as well as increase the incidence of flooding.¹
- Climate impacts and risks are unevenly distributed across Türkiye's population.** Those most vulnerable include communities in rural parts of the country where predominantly agricultural livelihoods are highly dependent on natural resources and a healthy ecosystem. Such households consequently have fewer resources to draw on during times of need, as well as fewer options to diversify their sources of income toward sectors that are less sensitive to climate shocks and thus lack resilience.
- The Government has recently signaled its intention to implement more ambitious climate and environmental policies which will have widespread impacts across the economy.** The Government has recently taken ambitious steps to develop climate-compatible policies, starting with the approval of the Paris Agreement under which it has submitted its Nationally Determined Contribution (NDC). In addition, the country made several other climate change commitments including in the National Climate Change Action Plan 2011–2023; the Green Deal Action Plan (August 2021), and the 12 National Development Plan (2024–2028). These commitments were further supported by the 2053 carbon-neutral target statement. The 2022 Türkiye Country Climate and Development Report (CCDR) considers that Türkiye can achieve 2053 net zero target emissions with major investments and policy changes in many economic sectors, including power, transport, industries, agriculture, waste management, and water management.

¹ OECD Environmental Performance Reviews: Türkiye, 2019; Türkiye's National Climate Change Adaptation Strategy and Action Plan, Ministry of Environment and Urbanization, November 2011, Ankara and T.R. Ministry of Environment and Urbanization, August 2012, Ankara.



5. **The green transition will have uneven impacts on people and places and may affect women and Youth's challenges in accessing economic opportunities and deepen regional disparities.** Recent analysis suggests that the transition to a green economy will lead to job loss for skilled female workers in the short term.² While women may lose fewer jobs overall than men, men stand to gain jobs at a rate three times higher than women in the green transition, however, these benefits will decline over time.³ Women's engagement in the informal sector may also affect their access to green jobs, as more green jobs will be created in formal sectors and for medium skilled workers and that these jobs will likely benefit men as they are the types of jobs that men currently hold. It is expected that green jobs are strongly biased toward higher-skilled and higher-educated workers, while women and Youth in Türkiye face particular gaps in the skills that would enable them to access these green jobs. Green job creation in Türkiye is likely to be significant in technology, construction, and agriculture—areas which will be important for Youth employment but where wage and formal labor is traditionally older and/or male. It is expected that green jobs will be concentrated in western regions;⁴ thus there might be a geographical mismatch, as areas with the highest proportion of unemployed women and Youth are not the areas that are likely to see a strong rise of green jobs, in the absence of targeted interventions.

B. Sectoral and Institutional Context

6. **Although Türkiye recovered from the COVID-19 crisis relatively quickly, the recovery among female, Youth, lower-skilled, and informal workers has lagged, compounding the disadvantages they face.** The International Labor Organization (ILO) found that Youth (ages 15-24) were substantially affected by job loss due to the pandemic, with employment loss amongst this cohort at over 20 percent in both April and May 2020, with young women the worst affected of all age cohorts.⁵ Türkiye has the highest proportion of Youth aged 18-29 not in employment, education, or training in the Organization for Economic Co-operation and Development (OECD), with the rate for young women (37 percent) significantly higher than for young men (25 percent). Women face barriers to economic participation: Türkiye lagged behind many peer countries for gender equality across a range of indicators related to educational and health outcomes, economic opportunities, and political empowerment in the World Economic Forum's 2023 Global Gender Gap Report. As of March 2023, women's labor force participation was 32.9 percent, compared to 70.3 percent for men, with women comprising only 20 percent of senior positions.⁶

7. **The Government of Türkiye has made significant progress in facilitating economic convergence across regions in the recent decades, however differences in economic opportunities across and within regions exist.** As of 2019, the gross domestic product (GDP) per capita was significantly higher in İstanbul than in Central East Anatolia or Southeast Anatolia, while the income of the median family in İstanbul was 2.25 times that of its counterpart in the southeast.⁷ Disparities in opportunities and outcomes also exist within provinces, with dynamic cities driving economic opportunities, even within less developed provinces, while concentrations of poverty persists in the most developed regions in the west.

² ILO (International Labour Organization) and UNDP (United Nations Development Programme). 2022. *Social and Employment Impacts of Climate Change and Green Economy Policies in Türkiye*. June, p. 33.

³ World Bank. 2022. *Türkiye Country Climate and Development Report*. Washington, DC: World Bank.

⁴ ILO and UNDP. 2022. *Social and Employment Impacts of Climate Change and Green Economy Policies in Türkiye*. June, p. 9.

⁵ ILO. 2021. "Beyond Unemployment: The Impact of the Pandemic on Hours Worked in Turkey." Research Brief, ILO Office for Turkey, p. 9.

⁶ World Economic Forum 2022 Global Gender Gap Report.

⁷ Baez Ramirez, Javier Eduardo, Çiğdem Çelik, Metin Nebiler, Pinar Yasar, Ahmet Kindap, Erkan Duman, Varun Sridhar Kshirsagar, Özge Elif Cesur, Abdurrahman Bekir Aydemir, Santiago Garriga, and Melis Türkileri. 2023. *Prosperous Places: Advancing Spatially Inclusive Development in Türkiye* (English). Washington, DC: World Bank Group.



8. **There are numerous factors affecting women and Youth’s access to economic opportunities in Türkiye.** Despite an improvement in the education level of women and Youth, labor force participation among highly educated women is lower compared to men: about 68 percent of university-educated women were in employment in 2022 compared to about 85 percent for the university-educated men in 2022.⁸ Entrepreneurial skills of women and Youth are lower than the population average. In addition, their business networks are smaller and less developed than the average population. Women’s care burden and limited access to care services are identified as a central barrier to women’s labor force participation in Türkiye.⁹
9. **There is room for improvement for women entrepreneurs’ access to finance.** Only 63 percent of women in Türkiye have a bank account, compared with 85 percent of men.¹⁰ This gender gap is significantly higher than the average gender gap in upper middle-income countries. According to the World Bank Enterprise Survey, access to finance is a key constraint to firms conducting and expanding business in Türkiye, particularly small and medium enterprises (SMEs), limiting the potential for job creation. Female-led enterprises face several constraints with regards to access to finance, typically having fewer lines of credit or outstanding loans amounting to lower values, facing strict collateral requirements, and citing access to finance more frequently as a serious obstacle. Women-owned firms account for only around 11 percent of all firms in Türkiye.¹¹ Some of these difficulties are a result of the relatively smaller size of the female-led establishments.
10. **Micro, small, and medium enterprises (MSMEs) in less developed regions have limited access to finance and thus a limited capacity to support growth and employment.** World Bank data show that improved access to finance has a positive effect on labor market outcomes, resulting in higher employment growth. In less developed regions, access to finance is limited. Data from TurkStat indicates that loans per capita in leading regions is more than four times higher than in the least developed regions. Intra-regional disparities in access to finance exist within both developed and less developed regions.
11. **The Socially Inclusive Green Transition Project (SoGreen) will complement the Government’s climate action and green transition ambitions by addressing key challenges in women and Youth access to economic opportunities.** The project will focus on supporting women, Youth, and MSMEs to access new economic opportunities that emerge through Türkiye’s green transition. The project will also complement ongoing and pipeline operations in Türkiye. It will complement the Green Industry (P179255) and the Green Finance (P178274) projects that focus on green transformation of industrial firms. The project will also complement the Industrial Emissions Reduction Project (P180762) that aims at financing air pollutant and greenhouse gas (GHG) emission reductions in Türkiye’s industrial sector and economy. Finally, the project will complement the Green Export Project (P181436) that aims at supporting Turkish exporters in their green transition and to expand green exports through longer-term financing. While these operations focus most only industrial firms and export-oriented enterprises, SoGreen will focus on vulnerable areas and beneficiaries, prioritizing women and Youth-owned/led MSMEs and cooperatives and producer unions, building capacity on implementing green transition initiatives at the regional and national levels.

⁸ Turkish Statistical Institute: <https://data.tuik.gov.tr/Bulten/Index?p=Istatistiklerle-Kadin-2021-45635&dil=2>.

⁹ ILO, SIDA (Swedish International Development Agency), and ISKUR (Turkish Employment Agency). 2015. Gender Equality in the World of Work; TSKB. 2023. Purple Leverage: Climate Financing for the Empowerment of Women, p. 7; Gökmen, C. E. 2022. “A New Perspective on Women’s Care Burden and Employment in Turkey.” New Perspectives on Turkey 66: 11–34.

¹⁰ World Development Indicators (2021).

¹¹ Enterprise Surveys www.enterprisesurveys.org The World Bank Group.



C. Relevance to Higher Level Objectives

12. **The project is aligned with the FY18-FY21 Country Partnership Framework for Türkiye (CPF, Report No. 110906-TR, discussed by the Board of Executive Directors on August 29, 2017), which was extended to cover the FY22-FY23 period through the Performance and Learning Review (PLR, Report No. 142353-TR, discussed by the Board of Executive Directors on March 13, 2020).** Specifically, the project is well aligned with the current CPF's Focus Areas 1 (Growth), 2 (Inclusion), and 3 (Sustainability) and would support the following CPF objectives:

- (a) **CPF Objective 2: Enhanced Access to Finance to Underserved Segments.** The project focuses on supporting access to finance, for women and Youth-led enterprises and businesses, two categories of the population that tend to have limited access to finance.
- (b) **CPF Objective 5: Increased Labor Force Participation of Women and Vulnerable Groups.** The project aims to support women and Youth-led enterprises, support services, and further collaboration between public and private stakeholders for the creation of new green economic opportunities, with a focus on the less developed areas.
- (c) **CPF Objective 9: Increase Sustainability of Infrastructure Assets and Natural Capital.** The project aligns with the objective of investing in climate and disaster resilient infrastructure, as subprojects will support energy efficiency, green construction, and building retrofits.

13. The project is aligned with the upcoming CPF covering the period FY24–28¹² and contributes to the new scorecard cross-cutting outcome areas, 12 on Gender Equality and Youth Inclusion, and 13 More and Better Jobs.

14. **The project will support Türkiye in achieving its NDC and contribute to efforts of climate change mitigation and adaptation and therefore is consistent with the country's strategies on climate change.** Among the key mitigation actions identified in the NDC, to which the proposed project will contribute, are (a) increasing the capacity of electricity production from solar power; (b) increasing energy efficiency in SMEs; (c) constructing new, energy-efficient economic facilities; and (d) recovering energy from waste by using processes such as material recycling of wastes, bio-drying, composting, and the utilization of industrial wastes as an alternative raw material or fuel in other industrial sectors, through industrial symbiosis approach. The project aligns with goals outlined in the country's Climate Change Adaptation Strategy and Action Plan and Climate Change Action Plan. Regarding climate adaptation, ensuring the resilience of the agriculture and water sectors is among the key objectives outlined in the country's strategies and addressed in the proposed operation. The project supports Türkiye's 12th NDP, which presents the green transition as a key objective. The National Climate Change Action Plan also emphasizes the importance of the green transition and defines the role of Ministry of Industry and Technology (MoIT) and Development Agencies (DAs) and calls for the inclusion of climate change adaptation in regional development planning.

15. **This project aligns with the World Bank Group's Climate Change Action Plan 2021–25, the Türkiye CCDR, the Climate Memorandum of Understanding (MoU) signed between the World Bank, development partners, and Türkiye, and contributes to the World Bank's COP28 commitment to increase its climate financing to 45 percent by 2025.** It contributes to the CCAP by harnessing the opportunity to strengthen the resilience of project beneficiaries and investments, thus aligning financial flows with the Paris Agreement and increasing finance to adaptation. The project recognizes that the green transition is taking place at multiple levels, including the local

¹² Scheduled for the discussion by the Board of Executive Directors on April 9, 2024.



level. It is specifically aligned with the CCDR recommendation of implementing regional and/or community-based targeting approaches, and the project is designed to help mitigate the social impacts of the green transition as its main target groups are women, Youth, the lower-skilled workers, and the unemployed.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

16. The Project Development Objective (PDO) is to improve women and Youth economic opportunities to contribute to and benefit from the green transition.

PDO Level Indicators

17. The following key indicators will be used to track progress towards the PDO:
- (a) PDO1. Percentage of beneficiary micro, small, and medium enterprises and cooperatives whose earnings increased after receiving support from the project
 - (b) PDO2. Percentage of beneficiary micro, small, and medium enterprises and cooperatives who hire women and/or Youth after receiving support from the project
 - (c) PDO3. Number of new or better jobs created (CRI)

B. Project Components

Component 1. Support for Inclusive and Green Investments and Entrepreneurship (US\$211.6 million equivalent)

18. Component 1 focuses on the provision of reimbursable financing and grants for activities contributing to the green transition, while supporting improved access to economic opportunities for women and Youth. Only subproject proposals that align with one of the six environmental objectives of the European Union (EU) 2020 green taxonomy¹³ regulation will be eligible. Component one will support both new and existing beneficiaries to create new economic opportunities.

19. The types of activities under this component will include: (a) activities that support beneficiaries to use existing green technologies that improve energy or material efficiency, support electrification or shift to lower-carbon fuels, or reduce GHG emissions through other channels; (b) activities to develop new services or business models to facilitate green transition or help green consumption patterns; and (c) activities to improve resilience to climate change or natural disasters such as flood risk reduction, better ventilation or efficient cooling, managing supply chain risks.

Subcomponent 1A: Inclusive and Green Reimbursable Financing (US\$179.6 million equivalent)

¹³ The six environmental objectives of the EU 2020 green taxonomy are (a) climate change mitigation, (b) climate change adaptation, (c) the sustainable use and protection of water and marine resources, (d) the transition to a circular economy, (e) pollution prevention and control, and (f) the protection and restoration of biodiversity and ecosystems.



20. This subcomponent provides legally registered SMEs with reimbursable financing, ranging from US\$60,000 to US\$200,000 equivalent to support creating green(er), and (more) sustainable activities which contribute to lowering GHG emissions and/or help SMEs prepare for, cope with, adapt, and strengthen resilience to climate risks, including extreme heat, flood and drought, landslide, and wildfire, etc. in line with the national climate policy. The green reimbursable financing aims to strengthen SMEs' relevance and sustainability in the context of the green transition, allowing them to maintain their existing workforce and recruit additional workers, with a focus on women, Youth, and operations. Under the proposed SoGreen Project, an estimated 1,810 SMEs are expected to receive reimbursable financing.

21. **Eligibility and selection criteria.** Selection criteria will include (a) SMEs owned by women or Youth; (b) proposals that demonstrate potential for job creation for women, Youth, and other vulnerable groups (as an analysis of the number of jobs expected to be created in comparison to the budget); (c) proposals from provinces/districts identified as less developed and/or vulnerable to climate change; and (d) investments in sectors identified as having high potential to generate jobs for women, Youth, and other vulnerable groups ([c] and [d] will be identified in Green Economic Opportunities and Challenges analyses under Subcomponent 3A).

22. **Selection of proposals.** Subprojects will be identified using the well-established Call for Proposal mechanism. Proposals will be evaluated based on regular DA procedures, based on the financial and operational capacity of the applicant; relevance; impact and sustainability and contribution to climate change mitigation and/or adaptation; and budget and cost efficiency. The selection process will include an evaluation committee established by the DA. Annex 2 provides details on the evaluation and selection process.

23. **Examples of subprojects.** Examples of subprojects to be funded through reimbursable financing include (a) the development of short food supply chains reducing the carbon footprint by minimizing emissions generated by transportation and waste; (b) enhancement of dissemination of renewable power supply such as solar power systems in electricity generation in order to reduce energy costs in agricultural irrigation (including installation of solar power units, installation of micro-hydro or micro wind); (c) modernization and rehabilitation of existing irrigation infrastructure system to address water scarcity by incorporating more efficient pumping systems; (d) financing of drying and cooling systems with negligible lifecycle GHG emission such as geothermal energy; (e) investments in technology and equipment to support climate-smart construction, building retrofits aimed at increasing energy efficiency; (f) ecosystem restoration in response to the impacts of climate change such as rising water temperatures and the increased frequency of wildfires; (g) adoption of climate smart/sustainable agriculture, forestry, fishing technologies and approaches (that do not expand or promote expansion into areas of high carbon stocks or high biodiversity areas); (h) implementation of rainwater collection systems; (i) waste recycling systems in support of the transition towards a circular economy; and (j) industrial symbiosis systems that have the potential to optimize resource utilization. It is estimated that at least 80 percent of Subcomponent 1A will directly support climate change mitigation and adaptation investments.

24. **Use of financial institution.** The reimbursable financing requires the support of an expert entity as there will be multiple funds transfers (the financing and its repayment are completed through a series of tranches, and close monitoring, to mitigate risks of non-repayment). The use of financial institution(s) between the DAs and beneficiaries will be carried out under the following arrangements:



- (a) *The financial institution(s) will be selected through a competitive tender:* The MoIT will issue an open call for tenders to banks and other financial institutions to provide the above services and will select one or more institutions on a competitive basis.
- (b) *The financial institution(s) will act as a service provider under a standard fee arrangement:* The financial institution(s) will support transaction payments between the DAs and beneficiaries (and repayments from beneficiaries to the DAs).
- (c) *Payments from the DAs to beneficiaries will only transit through the financial institution.* A protocol between the DAs and the financial institution(s) for flow of funds will be established to describe the procedures of funds flow from the project to the beneficiaries through the financial institution.

Subcomponent 1B: Inclusive and Green Grants (US\$32 million equivalent)

(i) Acceleration Grants

25. Acceleration grants ranging from US\$15,000 to US\$50,000 equivalent, will be provided to legally registered micro and small enterprises, cooperatives, and producer unions to support investments in green and sustainable activities, incorporating climate adaptation and mitigation considerations with a focus on women and Youth-owned enterprises and enterprises. Co-financing up to 50 percent of the proposed project cost will be required. Priorities that will apply in evaluating and selecting proposals for financing will include the following: (a) women-owned micro enterprises; or Youth-owned micro enterprises; or micro-enterprises with over 50 percent of women and Youth employees; (b) proposals that demonstrate the stronger potential for job creation for women, Youth, and other vulnerable groups (as an analysis of the number of jobs expected to be created in comparison to the proposal budget); (c) proposals that focus on sectors identified in the DA analysis as having a potential to generate jobs for women and Youth and potentially other vulnerable groups; (d) proposals from provinces/districts identified as less developed and/or vulnerable to climate change; and (e) proposals with a strong social and environmental focus. An estimated 1,150 beneficiaries are expected to receive acceleration grants. It is estimated that at least 80 percent of the financing under Subcomponent 1B will directly support climate change mitigation and adaptation. Annex 2 provides details on the evaluation and selection process.

26. Subprojects under Subcomponent 1B could include: (a) incubation support (new green and sustainable businesses, employment support, start-up advances, machinery, equipment, software funding, and technical assistance); (b) acceleration support (transforming existing businesses to greener and sustainable businesses); or (c) promotion of energy efficiency renewable energy (solar and wind resources).

(ii) Incubation Support for Women and Youth Entrepreneurs

27. Incubation support will be provided to women and Youth (18–35) individual entrepreneurs and implemented through Call for Proposals. DAs have experience implementing holistic incubation programs that include services, grant financing, and mentoring support. For example, under the Social Entrepreneurship, Empowerment and Cohesion Project (SEECO), five DAs are implementing incubation programs targeting refugee and host community women and Youth. Incubation support under SoGreen will include (a) incubation support services (trainings and mentoring) and (b) incubation grants, ranging from US\$3,000 to US\$15,000 equivalent to establish their green businesses. An estimated 2,000 beneficiaries are expected to receive incubation grants. Incubation support services will include a comprehensive training package that will support entrepreneurs' knowledge of climate change adaptation and mitigation, beneficiaries' ability to secure commercial loans in the future, and digital literacy, among others.



28. Priorities that will apply in evaluating and selecting proposals for financing will include the following (a) proposals that demonstrate a strong potential for job creation for women, Youth, and other vulnerable groups (as an analysis of the number of jobs expected to be created in comparison to the proposal budget); (b) proposals that focus on sectors identified in the DA analysis as having a potential to generate jobs for women and Youth and potentially other vulnerable groups; and (c) proposals with a strong social and environmental focus and/or focus on climate change mitigation and adaptation. Proposals by applicants who successfully completed the incubation support services program will be prioritized. Annex 2 provides details on the evaluation and selection process.

29. Subprojects to be financed under this activity will include climate-smart agriculture and food technologies aimed at reducing losses in agriculture caused by the impacts of climate change, and avoiding food waste along the value chain, environmentally sustainable food processing to reduce carbon emissions and avoid carbon lock-in, clean production and energy such as replacement of existing heating/cooling with higher efficiency boilers/heaters, environment (proposals to create economic opportunities while addressing environmental challenges such as pollution, waste, and natural resources degradation), green and digital transformation, waste recycling, mobile applications for sustainability and transition, and new technology and creativity-based initiatives installing energy efficient IT equipment.

Component 2: Inclusive and Green Community Economic Facilities (US\$172.6 million equivalent)

30. Component 2 will support local investments in facilities through the establishment of green and inclusive economic opportunities. Based on the positive list established by each DA, and approved by the MoIT, this component will provide financial support in the form of grants to provincial and district municipalities and other public entities. The grants will specifically target local, inclusive, and green infrastructure investments aimed at fostering inclusive access to green jobs and contributing to climate change resilience and mitigation efforts. An estimated 175 facilities will be funded under this component.

31. **Subproject prerequisite criteria.** The infrastructure subprojects will focus on promoting green transition and enhancing livelihood opportunities at the local level. Subprojects will need to meet the following pre-requisite criteria: (a) Investments need to be identified by DAs in collaboration with a public entity (provincial and district municipality, governorate, public university); and (b) Investments need to be aligned with the positive list established by each region, in their Green Economic Opportunities and Challenges analyses, and contribute to climate change mitigation and adaptation. Investments will be selected based on: (a) alignment with priorities expressed by women and Youth, as well as other identified vulnerable groups as defined in the Green Economic Opportunities and Challenges analyses; (b) potential for creation of employment accessible to women and Youth; and (c) evidence of commitment to use the proposed facility by one or more private sector stakeholders. All new facility investments will be implemented on publicly owned land, and the facility will remain publicly owned.

32. Subprojects will be identified by public sector entities, in close collaboration with private entities. Public recipients and private sector organizations will work together to ensure the design of the facility is aligned with the needs of the future beneficiaries and users. Design will be informed by climate risk assessments and be designed to be low-carbon and resilient to current and future climate hazards. To enhance inclusion benefits, the process will include awareness raising and information sharing on the green and social inclusion objectives and the Green Economic Opportunities and Challenges analyses that provide the basis for identifying investments. It is estimated that at least 80 percent of investments under this component will directly support climate change mitigation or adaptation.



33. **Example of subprojects.** While a positive list of eligible sectors for investments will be established for each region, and indicative list will be established based on consultations with DAs and private sector representatives. One central example is the building and equipment of production facilities to host multiple small entrepreneurs. This approach was successfully tested in the MoIT's Working and Producing Youth Program, where the DAs identify potential SME users of facilities through their call for proposal mechanism. Other examples include greenhouses for local cooperatives/producer unions, green garment production facilities, to promote the transformation of garment manufacturing sector, fruit and vegetable drying facilities, compost plants, etc.

34. Based on childcare needs identified in the regional analysis, an emphasis will be placed on including childcare facilities in subprojects to be funded under Component 2, whenever relevant and suitable. Infrastructure investments will include checks for seismic resilience, and climate risks will be part of the standard construction approval and oversight. Energy efficiency and renewable energy measures, such as solar panels, green roofs, and high-efficiency transformers, will be included in renovation and upgrade of facilities.

35. **Implementation arrangements.** Subprojects will be identified and implemented through the DA's established Guided Project Support mechanism. The Guided Project Support is a type of financing used by DAs for subprojects that can contribute to accelerating regional socioeconomic development, strengthening resilience to climate change impacts, and managing the social risks and impacts associated with green transition strategies. The subproject's scope, objectives, and conditions will be determined by the DA and the grant recipient, in line with SoGreen and regional priorities. The key feature that distinguishes Guided Project Support from other support mechanisms is that the subproject is developed jointly by the DA and local public sector stakeholders through technical workshops. The beneficiary entity of the financing is required to provide a 10 percent co-financing. First three subprojects for each DA will be subject to prior review by the World Bank.

36. **Participatory approach and process legitimacy.** Subproject preparation will include participation of key stakeholders. As part of the eligibility criteria, the grant recipient will be required to engage with key project stakeholders including women, Youth, entrepreneurs and/or Civil Society Organization (CSOs) representing their interest, along with members of academia, or think tanks, and other relevant fields, in consultations related to the subproject design. Subproject feasibility reports, prepared by the applicants, will include details under *Section 2: The rationale, purpose, and objectives*, reflecting the process by which the DAs engaged with subproject stakeholders, the feedback received from stakeholders, and how it was addressed in the subproject design.

Component 3: Project Management and Capacity Strengthening (US\$15.8 million equivalent)

37. This component will cover regional green economic opportunities and challenges analyses, capacity strengthening activities, communications and awareness raising, and project management.

Subcomponent 3A: Green Economic Opportunities and Challenges Analysis (US\$800,000 equivalent)

38. This subcomponent will finance technical assistance to support each DA with the analysis of inclusive regional Green Economic Opportunities and Challenges. The analysis, which will be conducted in a participatory manner, will (a) refine the target vulnerable groups in each region;¹⁴ (b) identify less developed provinces/districts in each region, to prioritize support under Components 1 and 2; and (c) identify priority sectors for investment

¹⁴ In addition to women and Youth, known to be excluded from economic opportunities in Türkiye, DAs might identify additional specific groups that should be targeted in their region.



under Components 1 and 2, based on opportunities in each region, and the potential of specific sectors to create and support economic opportunities for women, Youth, and other vulnerable groups. The analysis will also include climate risks from a regional perspective, including how these risks exacerbate the vulnerability of target groups and areas, and identify context-specific entry points for climate change mitigation and adaptation actions.

39. The analyses will be led by DAs and conducted in a participatory manner. DAs will engage with stakeholders in the preparation of the analysis, using online surveys, in person discussions with individuals, and/or in person discussions with CSOs. The methodology will draw from the İzmir DA's *Green Transformation and Blue Opportunities Perspective* report and will be finalized and agreed upon based on a working group including DA representatives. It is expected that for regions with a prominent coal sector, a specific coal module will be included, with support to be provided by the World Bank Energy and Extractives experts.

Subcomponent 3B: Capacity Strengthening (US\$2 million equivalent)

40. This subcomponent will finance capacity building at the national and local levels regarding planning for an inclusive and sustainable green transition, with a specific focus on mitigating the negative social impacts of the green transition and using the green transition to foster inclusion, support adaptive capacity among transition-affected communities, and generate positive social impacts. Capacity-building activities will be informed by an inclusive green transition capacity strengthening needs assessment. Activities under this subcomponent will include: (a) training for regional, provincial and district authorities and other public sector stakeholders; (b) field visits and inter-regional knowledge exchanges for public green development stakeholders; (c) technical assistance in the form of consulting support; and (d) social, environmental, and climate risk management capacity building in the form of training of key staff within the MoIT, DAs, and local stakeholders on environmental and social risk management, climate change adaptation and mitigation, including participatory approaches, in the context of the green transition.

41. The project will implement information and communication activities to address the information gap that women, Youth, and populations in some areas face with regard to (a) green transition economic opportunities; (b) access to financial literacy and financing, including green financing for entrepreneurs; and (c) access to skills relevant in the green economy, including digital skills. In addition, information on the project objectives and available benefits will be disseminated.

Subcomponent 3C: Project Management (US\$13 million equivalent)

42. This subcomponent will finance the Project Implementation Units (PIU), administration, implementation and supervision including procurement and financial management (FM) activities and audits; preparation of subproject designs and construction supervision; implementation of environmental and social monitoring; quality assurance responsibilities; technical management and oversight; grievance mechanism; and monitoring and evaluation (M&E) at the MoIT and DAs.

Component 4. Contingency Emergency Response Component (CERC) (US\$0 million equivalent)

43. This component, to be implemented by the MoIT, is included in accordance with World Bank Policy: Investment Project Financing, paragraphs 12 and 13, for contingent emergency response through the provision of immediate response to an eligible crisis or emergency, as needed. The component will allow the Government to respond promptly and effectively to an eligible emergency or crisis, which is a natural or human-made disaster or



crisis that has caused or is likely to imminently cause a major adverse economic and/or social impact by requesting a rapid reallocation of project funds. The MoIT will prepare a dedicated CERC Manual which will include provisions for activating and implementing the CERC.

C. Project Beneficiaries

44. **The project aims at supporting access to green economic opportunities for women and Youth in the context of green transition in Türkiye.** The project’s direct beneficiaries are women and Youth to either maintain their economic occupation or access new economic opportunities.

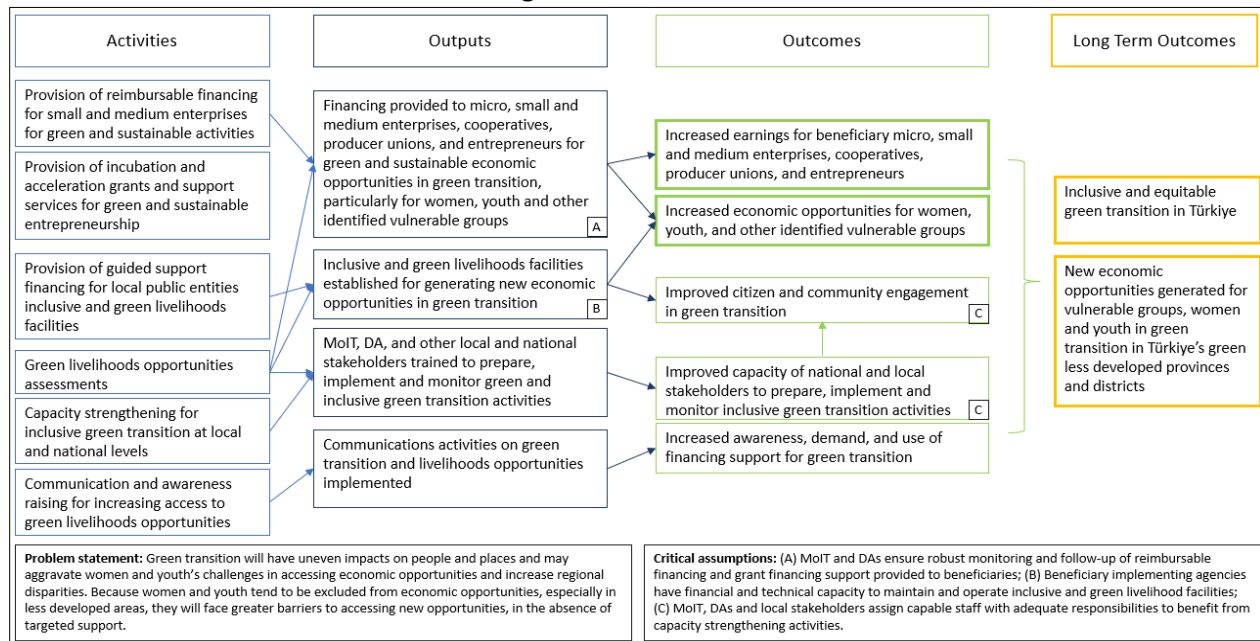
Table 1. Direct Project Beneficiaries per Component (other than CERC)

Component	Direct Beneficiaries	Estimated Number
Component 1. Support for Inclusive and Green Investments and Entrepreneurship		
1(a). Inclusive and Green Reimbursable Financing	SMEs	1,810
1(b) (i) Inclusive and Green Acceleration Grants	Micro enterprises, small enterprises, cooperatives, and producer unions	1,150
1(b) (ii) Inclusive and Green Incubation Grants	Women individual entrepreneurs, young individual entrepreneurs (ages 18–35)	2,000
Component 2. Inclusive and Green Community Economic Facilities		
	Public local development stakeholders (including municipalities, governorates, directorates of line ministries, universities, chambers, etc.)	175
Component 3. Project Management and Capacity Strengthening		
3(a) Regional Analyses: Green Economic Opportunities and Challenges	DAs, local development stakeholders	26
3(b) Capacity Strengthening	MoIT Staff, DA representatives and local authorities, partner financial institution(s), and general public	6,700



D. Results Chain

Figure 1. Results Chain



E. Rationale for Bank Involvement and Role of Partners

45. **World Bank expertise and SoGreen focus on addressing market failures.** The World Bank's value added derives from its expertise and knowledge on the integration of inclusion, poverty reduction, and green transition, as exemplified by the 2022 CCDR. The project will provide access to finance for markets that are underserved by the existing commercial credit market. Therefore, public support to facilitate the provision of finance is (a) unlikely to crowd out the commercial market, (b) may help catalyze the commercial market through demonstration effects, and (c) enables the realization of public and social benefits through environmental and social externalities.

46. **Financial sector context - heightened risk.** Türkiye's banking sector faces a challenging environment that stems from structural issues in the sector compounded by macro-financial conditions in recent years. Persistently high and growing inflation, a volatile exchange rate and depreciation pressure, a low national savings rate, and high corporate leverage have exposed the banking system and the economy to considerable risks. High exposure to short-dated and foreign exchange denominated debt, in the context of high inflation raises financial stability risks for banks. In the environment, despite strong Government efforts to keep finance flowing, banks are increasingly hesitant to extend credit, particularly for longer-term finance (beyond working capital) and for perceived riskier clients.

47. **Green investments - market failures and constraints in demand and supply.** All financing provided through the project will support green investments. Regardless of the nature of the firms being targeted with the finance, there is evidence of market failures in the provision of finance. These market failures affect both firms' willingness to borrow for green investments as well as banks' willingness to offer financing on amenable terms. Thus, publicly funded incentives can play an important role to redirect and catalyze private investments, at least at the initial stage, for demonstration effects to materialize and/or technologies to become less costly. The under-



investment in green technologies, equipment, and practices likely results from a number of market failures that are prominent for green investments including the following:

- (a) **Negative externalities.** As evidenced in the 2022 World Bank *Unlocking Green Finance in Türkiye* report, there is room for improvement to provide incentives for Turkish firms to take actions to reduce climate and environmental externalities (for example, GHG emissions and pollution).
- (b) **Information asymmetries.** Lack of information about the positive impact of investing in environmental and social governance standards (ESG) on the firms' competitiveness and long-term performance hinders firms from investing in green transformation or green innovation.
- (c) **High costs of upskilling/reskilling of the existing labor force due to the labor market inefficiency.** As evidenced in the 2022 Türkiye CCDR, Türkiye has a lower share of green jobs and a higher share of both brown jobs and jobs that require upskilling for the green transition than its peers in Europe and Central Asia. This is magnified by skills mismatches and other types of labor market rigidities, including high hiring and firing costs and a national mandatory minimum wage that is high compared to the median OECD wage.¹⁵ Thus, firm-level investments in new green technologies and processes will be additionally constrained by accompanying skills gaps.
- (d) **Untested markets for new green products may increase the risk of failures.** The World Bank Türkiye Enterprise Survey indicated that firms are concerned about the uncertainty of future prices and operational and technical risks.

48. The above-described demand side constraints are compounded by supply-side challenges, with limited finance for green investments. Among the particular challenges in Türkiye noted in the 2022 World Bank Green Finance report are (a) Mismatch in funding tenor: the banking-dominated financial sector has a limited ability to provide affordable longer-term green finance for green investments due to its short-term funding structure and (b) Knowledge gaps: it is challenging for banks to access data on green financing needs, particularly for SMEs, and usually do not factor in environmental performance when assessing SME lending risks.

49. **Barriers in access to finance for SMEs, with gender gaps.** In addition to the demand- and supply-side constraints for green investments, barriers to access to finance for SMEs and specific barriers (as detailed in the context section) in access to finance for women-led or managed firms (a priority for SoGreen) justify public support.

50. **Barriers in access to finance in less developed regions.** As detailed in the context section, data from TurkStat (2019) indicates that loans per capita in leading regions is significantly higher than in the least developed regions. Even controlling for GDP per capita differences, the finance gap across regions is more than 60 percent, indicating there are likely supply as well as demand-side factors at play. Large intra-regional disparities in financing exist within both developed and less developed regions. Data from the World Bank Enterprise Survey confirm large variations in firms' access to finance across regions. For example, 63 percent of firms in the Mediterranean region reported having a bank loan or line of credit versus just six percent in Central Anatolia region.

51. In the context of the market failures and constraints discussed above, project interventions are not expected to distort the existing market for finance and are intended to support the Government in achieving a number of public objectives, with economic and social benefits, including: meeting international commitments

¹⁵<https://data.tuik.gov.tr/Kategori/GetKategori?p=istihdam-issizlik-ve-ucret-108&dil=1>; <https://stats.oecd.org/Index.aspx?DataSetCode=MIN2AVE>.



for GHG emission reductions; enhancing climate resilience, strengthening the competitiveness of MSMEs, providing entrepreneurship and employment opportunities for women and Youth, increasing economic opportunities in less developed regions, and promoting convergence across regions.

F. Lessons Learned and Reflected in the Project Design

52. The design of the proposed SoGreen Project has been informed by the following lessons learned from other World Bank operations:¹⁶

- (a) **Alignment between project activities and the mandate of the implementing agencies.** In SoGreen, the DAs' inclusion and green development mandate aligns well with the objective of the project. The DAs' mandate already allows them to support a variety of potential beneficiaries at the local and regional levels.
- (b) **Use of existing disbursement mechanisms.** To avoid implementation delays and facilitate project disbursement and implementation, SoGreen will use existing disbursement mechanisms that the MoIT and DAs utilize.
- (c) **Efficient coordination between the MoIT and the DAs.** Under SEECO, efficient coordination and oversight mechanisms were established between the MoIT and the DAs. SoGreen will replicate this model, and the MoIT PIU will include deputy project coordinators in charge of a group of regions to ensure adequate oversight.
- (d) **Ensuring strong analytical underpinnings for economic inclusion activities.** Lessons from operations targeting Youth and women inclusion underscore the importance of strong analytical underpinnings and conducting feasibility studies and technical analyses as a starting point. This has been reflected in the project's approach to target key investments based on Green Economic Opportunities and Challenges analyses.
- (e) **Importance of practical and inclusive eligibility criteria for subprojects.** The project relies on selection criteria for selection of proposals under Components 1 and 2 that are simple and open enough to attract applications.
- (f) **Relevance of support services that are tailored to the needs of target groups.** Provision of training under the project is cognizant of experiences in Türkiye and Europe and Central Asia, with evidence and demand-based approaches to develop relevant training programs to support disadvantaged groups, including women and Youth.
- (g) **Inclusive participatory and awareness-raising approaches.** The participatory and citizen engagement approaches build upon effective approaches, including consultations to help prioritize targeting when selecting climate change resilience investments, and applying participatory approaches in assessment, and decision-making.

¹⁶ Türkiye Rapid Support for Micro and Small Enterprises Project (P174144), Strengthening Economic Opportunities for Syrians under Temporary Protection and Turkish Citizens in Selected Localities Project (P165687), Supporting Economic Inclusion of Youth Project in Morocco Project (P151169), Development of Businesses and Entrepreneurship for Syrians under Temporary Protection and Turkish Citizens Project (P168731), Promoting Social Inclusion and Self-Reliant Livelihood Activities in Armenia Project (P165314), Uzbekistan: Enhancing Economic Opportunities for Rural Women Project (P171760), Ferghana Valley Rural Enterprise Development Project (P166305), and Financing Locally Led Climate Change Action Program (P173065).



III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

53. **The proposed SoGreen Project will be anchored within the MoIT Directorate General of Development Agencies (DGDA) as the main implementing body.** The project will be designed and implemented as a US\$400 million equivalent stand-alone Investment Project Financing (IPF) over a seven-year period. MoIT and DA staff have experience with World Bank-financed projects and have demonstrated ownership and high capacity with both project preparation and implementation.

54. **The project implementation will be coordinated by a dedicated PIU that will be established under MoIT DGDA.** Project activities will be implemented by either directly by MoIT or by MoIT through the DAs. The PIU will benefit from the knowledge of the experienced PIU of SEECO. The Designated Account for the project will be established by the MoIT and be administered by the central PIU within the MoIT. The MoIT will sign subsidiary agreements with the implementing DAs, with each of them opening a separate operational bank account. Funds will flow from these separate operational bank accounts to local development stakeholders.

55. **Two-year pilot phase.** The project will be implemented in a sequenced manner, with an initial two-year pilot phase where project activities will be implemented in the selected 11 regions. To ensure that the pilot regions provide lessons, a prioritization approach was agreed upon, to support in parallel (a) regions with the highest number of brown jobs (usually leading regions) and (b) regions with highest rate of vulnerable people, that are less likely to benefit from opportunities brought by the green transition, using unemployment and poverty rate as proxies (less developed regions). The 11 selected DAs encompass both more advanced DAs and those in less developed areas, making the sample representative of DAs with diverse capacities. This approach is aligned with the objectives of the project (a) mitigating the negative impacts of the green transition in areas where livelihoods from brown jobs are at risk and (b) ensuring that those in the most vulnerable areas, less likely to benefit from sustainable livelihoods, are provided with access to new opportunities generated by the green transition. Pilot regions were selected based on data collected by the World Bank and MoIT for the 2023 Prosperous Places: Advancing Spatially Inclusive Development in Türkiye prepared in close partnership with the MoIT¹⁷ and the World Bank Poverty team (Annex 1). An assessment of the pilot will review (a) the extent to which women and Youth have benefitted from financing support under Component 1 and the impact of these activities on women and Youth accessing green economic opportunities, (b) the relevance and impact of support services provided to incubation grant recipients, (c) the use and impact of facilities under Component 2, and (d) the quality of the participatory processes implemented in the project.

B. Results Monitoring and Evaluation (M&E) Arrangements

56. The MoIT PIU will be responsible for project M&E. DAs will monitor project activities under Components 1 and 2. This includes data collection, monitoring indicators, and reporting on progress. DAs will prepare regular progress reports and conduct additional evaluations as requested by the MoIT. The MoIT PIU will support the DAs to meet the project's M&E requirements and ensure data accuracy and reporting quality. M&E procedures with DAs will be built into subsidiary agreements and subfinancing agreements, MoUs/protocols, and contracts. The MoIT PIU will prepare and submit quarterly progress reports to the World Bank. Regular progress monitoring will

¹⁷ World Bank. 2023. Prosperous Places: Advancing Spatially Inclusive Development in Türkiye.



be complemented by externally administered project surveys to measure progress and effectiveness of activities and understand beneficiary perceptions. Periodic technical audits will be carried out to verify infrastructure quality. A baseline study will be conducted during the inception phase and followed up with biennial surveys and other assessments, a midterm evaluation, and an implementation completion report at project closing, to evaluate qualitative and quantitative aspects of project results. The project will use the MoIT-administered Development Agencies Management System (*KAYS, Kalkınma Ajansları Yönetim Sistemi*), which facilitates all functions of DAs including provision of financing support, monitoring of subprojects, contracting, human resources management, performance management, and monitoring of other DA activities. M&E arrangements will be detailed in the Project Operations Manual (POM).

C. Sustainability

57. **Environmental sustainability.** The project will support the transition toward a more environmentally sustainable economy. SMEs that receive support will adapt processes for greener production modalities, diversifying their products and services, expanding their outreach, and accessing new markets. Support to micro enterprises and individual entrepreneurs will help women and Youth establish new green businesses with a focus on climate change mitigation and adaptation; sustainable use of resources; and transition into a circular economy. Infrastructure subprojects will establish new and green economic infrastructure that will promote the transition to a green economy.

58. **Economic and social sustainability.** Activities supporting women and Youth's access to economic opportunities under the project are expected to have long-term impacts on project beneficiaries. Financing provided is designed to strengthen MSMEs and support their relevance in the green transition, support their workforce, and create new jobs. Under Component 1, the project will provide support services to micro, small, and individual entrepreneurs to support the sustainability of their endeavors. The project also seeks sustainable solutions by creating facilities that will be owned/operated by municipalities, with a committed budget for operation and maintenance (O&M).

59. **Institutional sustainability.** Capacity-strengthening activities will have a long-term impact on supporting a socially inclusive green transition, by strengthening key stakeholders' ability to support women and Youth's access to green economic opportunities.

60. **Sustainability with regards to access to financing.** Publicly funded incentives can play an important role to catalyze private investments, at least at the initial stage, for demonstration effects to materialize and/or technologies to become less costly. The project includes a series of measures to help address the market failure and strengthen access to banking services for women and Youth, support green investments for SMEs, support the demonstration effect and catalytic impact of the reimbursable financing, and support beneficiaries' future access to market-rate loans, with the following:

- (a) **Capacity building for partner financial institution(s) to address gender bias.** The project will provide capacity building to partner financial institution(s) on gender bias, make such institutions aware of this bias and provide evidence on the successful repayment rate and sustainability of women-owned enterprises.
- (b) **Capacity building for partner financial institution(s) to address the green financing market failure.** Alongside gender bias capacity building, partner institution(s) will receive training on green financing,



benefits of supporting investments in the green transition, and the management of risks related to such financing.

- (c) **Information campaigns targeting SMEs, women, and Youth, to address information asymmetry.** SoGreen will design and implement information campaigns, with a specific focus on (a) informing SMEs on the financial benefits of green investments and (b) informing women and Youth on access to finance, and opportunities in the context of the green transition.
- (d) **Building women and Youth's capacity on financial literacy.** SoGreen will provide access to financial literacy training to women and Youth entrepreneurs, to ensure they have a comprehensive understanding of the banking system and banking institutions, understand the risks and benefits of borrowing, and are well versed in the processes of applying for loans with commercial banking institutions.

IV. PROJECT APPRAISAL SUMMARY

A. Technical and Economic Analysis

61. **Technical.** The technical design of the project draws on lessons learned from various projects and initiatives implemented in Türkiye, highlighting the importance of aligning project activities with the mandate of the implementing agencies. The project targets both public and private entities to provide a comprehensive set of activities for women and Youth's access to green economic opportunities. While Component 1 is focused on supporting private entities, Component 2 targets public entities and supports their partnership with the private sector, including in more vulnerable areas of the country, where the private sector is not as strong and has fewer resources. The regional analyses will prioritize sectors and vulnerable groups most relevant to each region, and the budget allocation between components will reflect the ability of the private and public sectors in each DA, to support the project objectives. The proposed project is aligned with the goals of the Paris Agreement on both climate mitigation and adaptation.

62. **Assessment and reduction of mitigation risks.** The project is expected to have low impact on GHG emissions and directly contributes to the country's transition to low GHG emissions pathways. All components of the project focus on building capacity and increasing funding opportunities across the private and public sectors in the context of the green transition and are not expected to cause emissions, or carbon lock-in. Activities to be supported through the project's financing are expected to be on the universally aligned list. The operation does not prevent the transition to lower-carbon alternatives that may become viable in the future and remains viable after accounting for transition risks.

63. **Assessment and reduction of adaptation risks.** The project has been screened for climate and disaster risks using the World Bank's online screening tool. The project's support for physical infrastructure investments under Component 2 will include checks for seismic resilience and climate risks will be part of the standard construction approval and oversight. Energy efficiency measures will also be implemented as part of the renovation and upgrade of buildings under this component. The public information campaigns will contribute toward improving the resilience of communities to cope with climate change and increase their knowledge of climate change impacts for different sectors and economic opportunities as well as risks and opportunities associated with the green transition, energy efficiency practices and benefits to their households and the environment. In preparing women and Youth for the green transition, the project contributes to climate change



mitigation by building economic opportunities in green and environmentally sustainable sectors. The project empowers climate vulnerable sections of society to adapt to both climate change impacts and the risks and impacts of the green transition and build economic opportunities in green sectors, thereby enhancing their climate and transition resilience. Targeting investments towards projects that will include green activities and the greening of existing activities will have multiplier effects on creating businesses and investments that are green. The project also includes capacity-strengthening activities that will be focused on providing stakeholders the means to make climate-informed decisions for their projects, while ensuring that their projects and business models are 'green' and/or work toward the greening of activities. The material impact that climate change may have on the project is low, and measures have been further taken to reduce residual risks to an acceptable level.

64. **Economic.** The economic and financial analysis suggests that the project is economically viable with an expected overall economic internal rate of return (EIRR) of 28.9 percent (weighted average).¹⁸ In particular, each of the project's proposed initiatives is economically convenient at a social discount rate of 11 percent, calculated in accordance with the World Bank guidelines on social discount rate,¹⁹ over an expected 20-year period, assumed as each of the initiatives' estimated life span. Furthermore, such a conclusion can be considered rather conservative as each of the sub-projects presents far larger economic returns in terms of indirect social benefits, at the moment not readily quantifiable. The cost of capital in Türkiye is estimated at 10.5 percent as per World Bank data (World Development Indicators, 2023) and a 10-year-period average 26 percent inflation rate in Türkiye²⁰ has been used in the analysis. The evaluation of costs and benefits has been carried out for a selected group of proposed interventions under Components 1 and 2, including improved wastewater management for SMEs, business incubation programs for small businesses, and medium food processing facilities and greenhouses. Each of the proposed initiatives presents a positive net present value and an EIRR higher than the cost of capital, which confirms their economic viability under any possible scenario, also including unfavorable ones with 20 percent higher costs and/or 20 percent lower benefits.

B. Fiduciary

65. **FM.** The World Bank will have adequate fiduciary assurance on the use of funds for intended purposes with the implementation of agreed arrangements. The MoIT PIU will be responsible for the coordination of FM arrangements. The project will use existing disbursement mechanisms that the MoIT and DAs are familiar with. The project will utilize the Call for Proposal approach (including reimbursable financing and grants), and the Guided Project Support approach of the DAs (inclusive green community economic facilities) to disburse investments under the project. The MoIT, together with the participating DAs, will prepare a POM and a Financial Support Manual (FSM). There will be one Designated Account for the project and each DA will have dedicated operational bank accounts denominated in the loan currency and Turkish Lira. The Designated Account will be opened at the Central Bank of the Republic of Türkiye. Payments from the Designated Account will be registered by the PIU, and the payments from the operational bank accounts will be registered by the DAs. The FM staff and consultants assigned to the project will maintain the project accounts and will be responsible for the preparation of project reports and financial statements. The project financial statements will be audited by Treasury Controllers. The project audit report will be made publicly available as per the Access to Information Policy of the World Bank.

66. **Procurement.** The World Bank has conducted a detailed procurement assessment for the project, and

¹⁸ The weighted average EIRR refers to 4 sub-project types on a 20-year period.

¹⁹ World Bank. 2016. Discounting Costs and Benefits in Economic Analysis of World Bank Projects.

²⁰ Long-term average inflation rate: https://ycharts.com/indicators/turkey_inflation_rate (19APR2023).



concluded that (a) applicable procurement policies and the regulatory system are designed broadly to meet procurement principles of value for money, economy, efficiency, effectiveness, integrity, transparency and fairness, and accountability; (b) both the MoIT and the DAs have a clear system of accountability with clearly defined responsibilities and delegation of authority on who has control of procurement decisions; (c) there is a clearly identified target market for all procurements; and (d) the MoIT and the DAs effectively manage contracts to ensure delivery according to the contract conditions. The Project Procurement Strategy for Development (PPSD) and Procurement Plan covering the first 18 months were prepared by the MoIT based on the expected contract types, costs, and procurement risks. The PPSD proposes (a) to apply the Procurement Regulations, including ‘Approved Selection Methods’ for the procurement of all contracts under the Project; (b) that all major procurements will be conducted by the PIU established under the MoIT, except for the procurements under reimbursable financing and grant components, which will be performed by the relevant beneficiaries in accordance with the procurement arrangements stipulated in the POM and FSM and/or agreed Procurement Plans; and (c) to initiate procurements as early as possible for the timely implementation of the contracts.

C. Legal Operational Policies

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

D. Environmental and Social

67. **The environmental risk is assessed as Substantial.** The project has a national scope, and the exact locations of the subprojects will be identified during implementation. This risk will be re-evaluated when additional information becomes available. The environmental impacts from the project are expected to be positive given that the green transition and infrastructure investments will be supported under the project. However, during the construction of new facilities, renovations of the existing facilities, and equipment installation, activities might entail adverse risks and impacts, as well as occupational health and safety (OHS) issues. While the construction activities might have some adverse impacts on natural habitats and cultural heritage, all such investments will be excluded from financing, based on the initial environmental screening. The impacts related to the project activities under Component 1 are expected to be temporary, reversible, and manageable through the application of the national laws as well as the use of the World Bank Environmental, Health and Safety Guidelines (EHSGs) and Good International Industrial Practices. However, the potential activities to be supported under Component 2 might require substantial investment and time to manage environmental risk and impacts of the construction of new facilities while medium to low probability of serious adverse effects to human health and/or the environment.

68. **The social risk rating is Moderate.** The project is expected to have positive social impacts on vulnerable groups as its main target groups are women, Youth, lower-skilled workers, and unemployed persons. Social inclusion aspects are at the core of the project design. The project is not expected to cause direct irreversible or unmanageable impacts, as it will exclude financing any activities assessed as high risk and any activity causing



impacts on cultural heritage from financing. The project is expected to support both construction of new facilities and rehabilitation of existing facilities; therefore, civil works will be eligible under the project. Community health and safety, and labor and occupational health and safety impacts during civil works are expected to be manageable and will be addressed by adhering to the standard mitigation measures included in the Environmental and Social Management Framework (ESMF), including the application of the national laws, use of the World Bank EHS, Code of Conduct for construction workers, and stakeholder engagement activities. While the project will largely avoid land acquisition impacts, there may be some involuntary land acquisition due to associated facilities or land that has been acquired through eminent domain in anticipation of subprojects. Therefore, a Resettlement Framework has been prepared to manage such cases of land acquisition before World Bank financing as well as any potential cases of land acquisition needed for associated facilities. Risks of child and forced labor are not expected, and the project Labor Management Procedures (LMP) includes a clear minimum working age and procedures for age verification. To facilitate social inclusion and participation of stakeholders, the project has prepared a Stakeholder Engagement Plan (SEP), and stakeholder engagement activities have been ongoing during project preparation. Sexual exploitation and abuse/sexual harassment (SEA/SH) risk is assessed as moderate and discussed in a dedicated section. A gender-based violence action plan will be prepared by the MoIT after project effectiveness and before the subproject activities begin, to also manage SEA/SH risks. The MoIT and DAs already have experience with Bank-financed projects and the Environmental and Social Framework (ESF). The existing PIUs have already received in-depth trainings on ESF. To manage environmental and social risks and impacts, the MoIT has prepared an Environmental and Social Management Framework (ESMF), LMP, SEP and Resettlement Framework (RF), which were disclosed in Turkish and English on February 8, 2024.

69. **Citizen engagement.** The SEP identifies key project stakeholders and tools to ensure their participation in project implementation. During project preparation, consultations were organized with key stakeholders. During project implementation, one of the key entry points for citizen engagement will be the Green Economic Opportunities and Challenges analyses. Participatory mechanisms in the analyses, will include a menu of participatory tools for each DA to choose from, based on relevance and feasibility in each region. All regions will identify relevant stakeholders and identify CSOs that could represent women, Youth, and entrepreneurs' voices. DAs will engage with stakeholders in the preparation of the analyses, using online surveys, in-person discussions with individuals, and/or in-person discussions with CSOs. The report will include an annex summarizing the feedback received and how it was integrated in the report. In addition, the project will include participatory mechanisms to ensure that subprojects for livelihood related infrastructures reflect the needs and perspectives of vulnerable groups. As part of the eligibility criteria, the DAs will be required to engage with project stakeholders including women, Youth, entrepreneurs and/or CSOs representing their interest, along with members of academia and think tanks in consultations related to the subproject design. The feasibility reports, prepared by the applicants, will include details under Section 2: The rationale, purpose, and objectives, reflecting the process by which the DAs engaged with subproject stakeholders, the feedback received from stakeholders, and how it was addressed in the subproject design. Indicator 2.4 will keep track of the number of people participating in planning for livelihood facilities.

70. **Gender.** The project will tackle important gender gaps and enhance access to green economic opportunities for women and Youth in vulnerable areas of Türkiye through various forms of support. For Inclusive and Green Livelihood Facilities support, the potential for creation of employment accessible to women and Youth is among the criteria for selection of investments. For reimbursable financing, investments will focus on women and Youth-owned SMEs, with a priority for proposals with high job creation potential for these groups. Acceleration grants will benefit women and Youth-owned micro and small enterprises, cooperatives, and producer unions, while incubation grants will support women and Youth entrepreneurs. Support services for these



interventions will be tailored towards women and will include entrepreneurship training, digital and financial literacy programs as limited knowledge in these areas have been identified as a barrier to women’s inclusion in labor markets. The design of these services will draw insights from Green Economic Opportunities and Challenges analyses incorporating feedback from women entrepreneurs, unemployed women, and women with low education levels. As gender biases among financial officers can be an obstacle for women entrepreneurs in Türkiye, Component 3 will include capacity building of partner financial institutions including gender sensitization training. Because lack of access to childcare has been identified a key barrier for women’s inclusion in the workforce, investments will be made for childcare facility construction. Finally, communication and sensitization activities will also include gender-sensitive outreach.

Table 2. Gender Results Chain

Analysis	Actions	Indicators
Türkiye’s female-led enterprises face access to finance constraints. They have fewer open lines of credit or outstanding loans amounting to lower values, and women-owned businesses require a substantially larger amount of collateral. Loan sizes allocated to male applicants are on average 8.1% greater than those allocated to female applicants. ²¹ Limited financial literacy and lack of access to childcare are among key barriers for women’s access to finance and inclusion in the workforce.	(i) Provision of grants and reimbursable financing which will focus on firms owned by women; (ii) Capacity building of officials, including gender sensitization training in financial institutions targeted by this operation to better serve female applicants; (iii) Support services for female applicants including entrepreneurship training, digital and financial literacy programs; and (iv) Investments in childcare facility construction and equipment.	Percentage of beneficiaries who maintain an economic activity six months after receiving support from the project (disaggregated by gender; Youth). Percentage of beneficiaries of financial support who are women

V. GRIEVANCE REDRESS SERVICES

71. **Grievance redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the World Bank’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the World Bank’s independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s GRS, visit

²¹ Alibhai, S., A. Donald, M. Goldstein, A.A. Oguz, A. Pankov, and F. Strobbe. 2019. Gender Bias in SME Lending: Experimental Evidence from Turkey. World Bank Group: Washington, D.C.



<http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank's AM, visit <https://accountability.worldbank.org>.

VI. KEY RISKS

72. The overall **project risk is identified as Substantial**. The main risks are (a) macroeconomic, (b) fiduciary; and (c) environment and social.

73. **Political and governance risks are Moderate**. Green transition is a strategic objective for Türkiye, and both the green transition agenda and the proposed SoGreen Project are strongly supported by the Government. At a macro-political level, Türkiye's context bears transitional risks due to protracted conflicts in neighboring countries. These risks are being mitigated to the extent possible by aligning the project objectives and activities with the priorities of the Government, ensuring effective coordination and engagement with various stakeholders, and implementing the project through existing implementing agencies and mechanisms. Governance risks such as capture, and conflict of interest will be addressed through fiduciary procedures and the POM and FSM.

74. **Macroeconomic risks are Substantial**. Key macroeconomic risks to the project include: (a) high inflation and exchange rate volatility, which may lead to supply-side constraints due to price increases and uncertainties; (b) ability of entrepreneurs to expand production and employment in the face of macroeconomic conditions; and (c) ability of local development stakeholders to operate and maintain investments. These risks are beyond the scope of the project; however, the project will monitor the macroeconomic developments closely and adjust implementation as needed.

75. **Sector strategies and policies risks are Low**. The project will be a key component of the Government's green transition agenda. The DAs are responsible for fostering innovation and entrepreneurship in their regions, focusing on enhancing economic opportunities and competitiveness, through their well tested and effective implementation mechanisms.

76. **Technical design of the project risk is Moderate**. The project will be implemented through existing government mechanisms, utilizing the already effective and efficient support programs implemented by the DAs, under the leadership and coordination of the MoIT. As a national-level project, implementation will cover differing local economies, with different opportunities and challenges. Technical risks associated with ensuring coverage of women and Youth within project investments are important and will be mitigated by outreach and support services, which will be cognizant of this issue from the outset.

77. **Institutional capacity for implementation and sustainability risks are Low**. The PIU will be anchored in the MoIT DGDA, which is currently the implementing agency of SEECO. At the regional level, the DAs will implement activities through existing mechanisms, similar to the model implemented under SEECO with five DAs implementing activities at the regional/local level. The staff of the MoIT DGDA and SEECO PIU are experienced with World Bank-financed projects.

78. **Fiduciary risks are Substantial**. While the MoIT and DAs have high capacity and experience in utilizing international funds and cooperating with international organizations, including the World Bank



(in the case of five DAs that implement SEECO), the project envisions an approach where some level of fiduciary responsibility is delegated to Türkiye's 26 DAs. The risks will be mitigated by ensuring the project is built on robust and clear implementation arrangements that clarify roles and responsibilities, control procedures, and remedies. The roles and responsibilities relating to fiduciary functions of the project will be further defined in detail in the POM and the FSM.

79. **Environmental and social risks rating is Substantial.** The environmental risk is assessed as Substantial, and the social risk rating is Moderate. In general, the environmental impacts of the project are expected to be positive. However, the construction or renovation of facilities might entail adverse risks and impacts, as well as OHS issues. The project will aim to avoid land acquisition impacts, but there may be some involuntary land acquisition (associated facilities, land acquired through eminent domain). Risks of child labor and forced labor are not expected, and SEA/SH risk is assessed as moderate.

80. **Stakeholder risks are Moderate.** It is expected that key national and local stakeholders will be supportive of the project. The project will mitigate potential risks through ensuring the coordination with all key stakeholders.



VII. RESULTS FRAMEWORK AND MONITORING

PDO Indicators by PDO Outcomes

Baseline	Closing Period
Economic opportunities created, improved, and/or sustained	
1. Percentage of beneficiary micro, small, and medium enterprises and cooperatives whose earnings increased after receiving support from the project (Percentage)	
Feb/2024	Dec/2031
0	80
2. Percentage of beneficiary micro, small, and medium enterprises and cooperatives who hire women and/or Youth after receiving support from the project (Percentage)	
Feb/2024	Dec/2031
0	80
3. Number of new or better jobs created (Number)	
Feb/2024	Dec/2031
0	18000

Intermediate Indicators by Components

Baseline	Closing Period
Component 1. Support for Inclusive and Green Investments and Entrepreneurship	
1.1 Number of businesses using financial services (Number)	
Feb/2024	Dec/2031
0	1810
1.2 Number of beneficiaries of grant financing (Number)	
Feb/2024	Dec/2031
0	3150
1.3 Percentage of beneficiaries of financial support who are women (Percentage)	
Feb/2024	Dec/2031
0	60
1.4 Percentage of beneficiaries of incubation support who are satisfied with support services provided (Percentage)	
Feb/2024	Dec/2031
0	90



1.5 Percentage of beneficiaries of financial support still in activity six months after receiving support (Percentage)	
Feb/2024	Dec/2031
0	80
Component 2. Inclusive and Green Community Economic Facilities	
2.1 Percentage of livelihood facilities that are used by private sector stakeholders within six months after completion (Percentage)	
Feb/2024	Dec/2031
0	100
2.2 Number of livelihood facilities constructed or rehabilitated according to standards to withstand climate-related shocks (Number)	
Feb/2024	Dec/2031
0	175
2.3 Number of people participating in planning for livelihood facilities (Number)	
Feb/2024	Dec/2031
0	15000
> Percentage of women (Percentage)	
0	50
Component 3. Project Management and Capacity Strengthening	
3.1 Number of beneficiaries of project's capacity strengthening activities (Number)	
Feb/2024	Dec/2031
0	6700
Component 4. Contingency Emergency Response Component	
Good procured and distributed as outlined in the CERIP (Yes/No)	
Feb/2024	Dec/2031
NO	YES



Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

Economic opportunities created, improved, and/or sustained	
1. Percentage of beneficiary micro, small, and medium enterprises and cooperatives whose earnings increased after receiving support from the project	
Description	This indicator measures the percentage of Component 1 beneficiaries, including MSMEs, cooperatives and producer unions supported by the project with an increase in their earnings, disaggregated by gender; age (18-34/other); type of project area (vulnerable/non-vulnerable).
Frequency	Every other year
Data source	Project Surveys
Methodology for Data Collection	Data on indicator will be collected as part of Project Surveys.
Responsibility for Data Collection	MoIT
2. Percentage of beneficiary micro, small, and medium enterprises and cooperatives who hire women and/or Youth after receiving support from the project	
Description	This indicator measures the percentage of MSMEs, cooperatives and producer unions supported by the project that employ women and Youth after receiving support from the project, disaggregated by gender; age (18-34/other); type of project area (vulnerable/non-vulnerable).
Frequency	Every other year
Data source	KAYS/Project Surveys
Methodology for Data Collection	Data on indicator will be generated by the KAYS based on data collected from project beneficiaries of reimbursable financing and grants.
Responsibility for Data Collection	MoIT
3. Number of new or better jobs created	
Description	This indicator measures the number of economic opportunities created by project activities include (i) jobs created as a result of support provided under Component 1; (ii) jobs created as a result of infrastructure investments under Component 2.
Frequency	Annual
Data source	KAYS; Project Progress Reports
Methodology for Data Collection	Data on indicator will be collected from subproject financing applications for Component 1 and feasibility reports for Component 2 subprojects; progress reports submitted by beneficiaries; and DA subproject monitoring activities.
Responsibility for Data Collection	MoIT

Monitoring & Evaluation Plan: Intermediate Results Indicators by Components

Component 1. Support for Inclusive and Green Investments and Entrepreneurship	
1.1 Number of businesses using financial services	
Description	This indicator measures the number of small and medium enterprises benefitting from reimbursable financing provided under Subcomponent 1A, disaggregated by gender; age (18-34/other); type of project area (vulnerable/non-vulnerable).
Frequency	Semi-Annual
Data source	KAYS; Project Progress Reports
Methodology for Data Collection	Implementation progress and completion of subprojects will be monitored by DAs through KAYS.
Responsibility for Data Collection	DAs
1.2 Number of beneficiaries of grant financing	
Description	This indicator measures the number of small and micro enterprises, cooperatives, and producer unions benefitting from grant support provided under Subcomponent 1B, disaggregated by type (incubation/acceleration) gender; age (18-34/other); type of project area (vulnerable/non-vulnerable).



Frequency	Semi-Annual
Data source	KAYS; Project Progress Reports
Methodology for Data Collection	Implementation progress and completion of subprojects will be monitored by DAs through KAYS.
Responsibility for Data Collection	DAs
1.3 Percentage of beneficiaries of financial support who are women	
Description	This indicator measures the percentage of women-owned or led firms benefiting from reimbursable financing and grant support.
Frequency	Semi-Annual
Data source	KAYS; Project Progress Reports
Methodology for Data Collection	Implementation progress and completion of subprojects will be monitored by DAs through KAYS.
Responsibility for Data Collection	DAs
1.4 Percentage of beneficiaries of incubation support who are satisfied with support services provided	
Description	This indicator measures the percentage of beneficiaries of support services who are satisfied with the services provided by the project.
Frequency	Semi-Annual
Data source	Project Progress Reports
Methodology for Data Collection	Data on indicator will be collected as part of satisfaction surveys.
Responsibility for Data Collection	DAs
1.5 Percentage of beneficiaries of financial support still in activity six months after receiving support	
Description	Percentage of MSMEs, cooperatives, and producer unions that are still in business activity six months after receiving support, disaggregated by age (18-34/other); type).
Frequency	Semi-Annual
Data source	Project Progress Reports
Methodology for Data Collection	Data on indicator will be collected as part of Project Surveys.
Responsibility for Data Collection	DAs
Component 2. Inclusive and Green Community Economic Facilities	
2.1 Percentage of livelihood facilities that are used by private sector stakeholders within six months after completion	
Description	This indicator measures the percentage of livelihood facilities established under Component 2 that are used by private sector stakeholders (MSMEs, cooperatives, producer unions, individual entrepreneurs, etc.) within six months after completion.
Frequency	Annual
Data source	KAYS, Project Progress Reports
Methodology for Data Collection	Data on indicator will be collected from DA subproject monitoring activities.
Responsibility for Data Collection	DAs
2.2 Number of livelihood facilities constructed or rehabilitated according to standards to withstand climate-related shocks	
Description	This indicator measures the number of facility subprojects constructed or rehabilitated according to standards to withstand climate-related shocks financed under Component 2, disaggregated by category (constructed/rehabilitated); DA region.
Frequency	Annual
Data source	KAYS; Project Progress Reports
Methodology for Data Collection	Implementation progress and completion of subprojects will be monitored by DAs through KAYS.
Responsibility for Data	DAs



Collection	
2.3 Number of people participating in planning for livelihood facilities (Number)	
Description	This indicator tracks the number of people who participate in the planning of livelihood facilities supported by the project under Component 2, disaggregated by DA region; age (18-34/other).
Frequency	Semi-Annual
Data source	Subproject feasibility reports and attendance sheets; Project Progress Reports
Methodology for Data Collection	Data on indicator will be collected from attendance sheets and sections on participation/stakeholder engagement in subproject feasibility reports.
Responsibility for Data Collection	DAs
Percentage of women (Percentage)	
Description	This indicator tracks the percentage of women among beneficiaries who participate in the planning of livelihood facilities supported by the project under Component 2.
Frequency	Semi-Annual
Data source	Subproject feasibility reports and attendance sheets; Project Progress Reports
Methodology for Data Collection	Data on indicator will be collected from attendance sheets and sections on participation/stakeholder engagement in subproject feasibility reports.
Responsibility for Data Collection	DAs
Component 3. Project management and capacity strengthening	
3.1 Number of beneficiaries of project's capacity strengthening activities (Number)	
Description	This indicator measures the number of national and local beneficiaries of capacity building and training activities implemented by the project, disaggregated by gender; national/local.
Frequency	Semi-Annual
Data source	Attendance Sheets; Project Progress Reports
Methodology for Data Collection	Data on indicator will be collected by multiplying the number of training days by the total number of people who participated in capacity building activities.
Responsibility for Data Collection	MoIT
Component 4. Contingency Emergency Response Component	
4.1 Good procured and distributed as outlined in the CERIP (Yes/No)	
Description	Procurement and distribution of goods as described in the Contingent Emergency Response Implementation Plan (CERIP), to be developed for CERC activation.
Frequency	Annual
Data source	Project Progress Reports
Methodology for Data Collection	Data on indicator will be collected by the MoIT through a separate database of goods procured and distributed, when applicable.
Responsibility for Data Collection	MoIT



ANNEX 1: IMPLEMENTATION ARRANGEMENTS AND SUPPORT PLAN

COUNTRY: Republic of Türkiye

Türkiye Socially Inclusive Green Transition Project

IMPLEMENTATION ARRANGEMENTS

Project Implementation Unit

1. The project will be implemented by the MoIT at the national level, and through the DAs at the regional level. The DAs were established in 2006 to address regional disparities and support local development and economic inclusion of the most vulnerable. DAs implement financial support programs targeting both private and public sectors to catalyze regional development. An important feature of the DAs that differentiates them from other government agencies that support the private sector is the focus on regional and local opportunities and economic potential. The DAs provide financial and technical support to projects that focus on climate change adaptation and mitigation; support awareness raising at the local level; and undertake development research. The 2024–2029 Regional Development Plans include green transition as a cross-sectoral theme and a core objective.
2. The MoIT will be implementing agency of the project. For the implementation of Component 1 (except for the contracting of the financial services for Subcomponent 1A and the contracting of entrepreneurship support services under Subcomponent 1B) and Component 2, MoIT will enter into subsidiary agreements with the DAs. Component 3 will be implemented by the MoIT. The MoIT will establish a dedicated PIU for the purposes of project management and coordination, with a dedicated project coordinator. To ensure adequate oversight and monitoring, the PIU will include several deputy project coordinators, each in charge of overseeing a specific cluster of regions. The Designated Account for the project will be established by the MoTF for the use of MoIT and will be administered by the central PIU within the MoIT. The MoIT will sign subsidiary agreements with the DAs, with each of them opening separate operational bank accounts for the project. The MoIT will prepare the POM and FSM.
3. The central PIU will include the following experts: a project coordinator; deputy project coordinators (3) each responsible for a set of regions; FM specialists (3); procurement specialists (3); M&E specialists (2); environment and green transition specialists (2); social specialist; OHS specialist; communications specialist; and project assistant. The SoGreen PIU will benefit from the knowledge of the experienced SEECO PIU. When possible, synergies with the SEECO PIU will be sought to ensure cross-learning and capacity building of the SoGreen PIU team.
4. Within each DA, a regional PIU will be created, and will include the following experts: SoGreen coordinator; FM specialist; procurement specialist; green transition and economic opportunities specialist; environmental specialist; Social specialist; M&E Specialist; and Civil Engineer.
5. With all 26 regions covered, the US\$400 million equivalent budget represents, on average a 15 percent annual budget increase per region, thus allowing for a significant impact on the ground, while at the same time ensuring that the DAs will have the capacity to absorb the added budget. It was agreed that to ensure adequate oversight and monitoring, the PIU will include several deputy project coordinators, each in charge of overseeing a specific cluster of regions.



6. The project will be piloted in 11 regions for the first two years of project implementation. The pilot regions were selected to ensure inclusion of various regional profiles, for robust lesson learning, including both (a) regions with the highest number of brown jobs (usually leading regions) (table 1.1) and (b) regions with highest rate of vulnerable people (table 1.2), less likely to benefit from opportunities brought by the green transition, using unemployment and poverty rate as proxies (less developed regions), as follows:

Table 1.1. Share of Brown Jobs by NUTS2 Region/DA

NUTS2 Region	Development Agency	Target Provinces	Brown jobs (%)
TR41	Bursa Eskişehir Bilecik Development Agency	Bursa, Eskişehir, Bilecik	8.9
TR21	Trakya Development Agency	Tekirdağ, Edirne, Kırklareli	8.7
TR42	Doğu Marmara Development Agency	Kocaeli, Sakarya, Düzce, Bolu, Yalova	7.2
TR10	İstanbul Development Agency	İstanbul	7.1
TRC1	İpekyolu Development Agency	Gaziantep, Adıyaman, Kilis	7.0
TR31	İzmir Development Agency	İzmir ²²	4.6

Table 1.2. Vulnerability Index²³, Region/DA

NUTS2 Region	Development Agency	Target Provinces	Vulnerability Index
TRC3	Dicle Development Agency	Mardin, Batman, Şırnak, Siirt	0.335
TRB2	Doğu Anadolu Development Agency	Van, Muş, Bitlis, Hakkari	0.289
TRC2	Karacadağ Development Agency	Şanlıurfa, Diyarbakır	0.282
TRA2	Serhat Development Agency	Ağrı, Kars, Iğdır, Ardahan	0.219
TR62	Çukurova Development Agency	Adana, Mersin	0.149

Financial Management

7. The FM assessment was conducted through meetings with the DGDA in Ankara and through evaluating the knowledge gained in the implementation of the SEECO. The SoGreen Project was designed based on key lessons learned from SEECO. The World Bank will have adequate fiduciary assurance on the use of funds for intended purposes with the implementation of agreed arrangements. The FM risk is assessed as substantial as the project has complicated implementation arrangements with multiple beneficiaries.

8. The Public Financial Management and Control Law is the framework law that regulates all aspects of public financial management in Türkiye. While there has been a major transformation in the public sector management because of the reform initiatives during the last 20 years, implementation challenges exist. With the move to the presidential system in 2018, Türkiye’s structure relating to the center of government institutions have changed significantly. There have been some institutional changes, including the consolidation of budget preparation responsibilities under the newly established Presidency of Strategy and Budget (PSB).

²² İzmir DA was included in the pilot phase due to its experience with labor analysis in the green transition context.

²³ The two proxies used to establish the vulnerability are: poverty rate and unemployment, weighted equally – DAs working on overcoming ongoing impacts of the 2023 earthquakes were excluded from the pilot phase.



9. While fulfilling the PSB's budgeting requirements, the MoIT will ensure that a project budget is prepared in line with the reporting requirements as per the project documents. These will include, but not be limited to, interim unaudited project financial reports, which will mainly include the sources and uses of funds for the project, where the uses will be followed up both by activity and by category on quarterly, yearly, and cumulative bases. The budget figures will be entered into the accounting software when procured, to enable comparison with actual expenditures and monitoring of any variances. It will be the responsibility of the MoIT PIU to ensure timely preparation of the project budget in the detail explained above. The budgeting procedures will be described in the POM.

10. The project will be implemented directly by the MoIT and MoIT through DAs. Presidential Decree No 1 (Regulating the duties and authorities of the MoIT and DGDA) Article 385/1-t states that the responsibilities of the MoIT include carrying out relations with international organizations and foreign countries, to assist in the preparation of bilateral or multilateral scientific, industrial and technical cooperation agreements and protocols, to prepare, coordinate and control the projects and programs carried out with international organizations in the fields of duty and activity of the MoIT. Article 394/1-j of the same decree, states that the duties of the DGDA include participating in commissions, committees, and working groups in international organizations and other countries in the field of regional development, participating in contacts and negotiations with international organizations.

11. The MoIT will be the implementing agency of the project, entering into subsidiary agreements with the DAs for the implementation of the relevant parts of the project. DAs are public legal entities that aim to enhance cooperation between public institutions, the private sector, and civil society; ensure the appropriate and effective use of resources; trigger local potential to enhance regional competitiveness; ensure regional development; and diminish interregional and intraregional disparities. DAs have planning and coordination, project management, M&E, marketing and foreign relations and corporate management units reporting to the Secretary General of each DA. DAs have separate Board of Directors and their own budgets. DA budgets consist of cash transfers from the general budget by the MoIT and budget contribution payments made by municipalities and chambers of trade and industry. The FM arrangements of the DAs are subject to the 'Budget and Accounting Regulation of Development Agencies' published in the Official Gazette (No. 26303) dated September 28, 2006. They are coordinated by the MoIT in accordance with the Presidential Decree (No. 4) dated 15.07.2018. DAs carry out their support programs as per the relevant provisions of the 'Regulation on Project and Activity Supports of Development Agencies' published in the Official Gazette (No. 27048) dated 08.11.2008. Article 188/f of the Presidential Decree 4 authorizes the DAs to use or make available the internal and external funds allocated to the Agency for regional development in accordance with regional plans and programs. Article 201 includes resources from the international funds in the revenues and funds to be managed by DAs.

12. The coordination and fiduciary functions will be undertaken by the MoIT PIU, which will be required to strengthen its FM function to meet the workload brought by the project. SEECO has two FM consultant positions to conduct financial management functions under the project. The DAs will also assign and recruit staff responsible for FM and the MoIT PIU will support the DA FM staff on an ongoing basis.

13. The MoIT is a general budget institution. Accordingly, its accounting is maintained in the Public Information Management System in Turkish Lira, in line with the chart of accounts predetermined by the MoTF. The main transactions of the project will be accounted for by the accounting officer located at the



MoIT. The MoIT PIU will need to maintain a separate accounting system in an accounting and reporting software to follow up on the fund flows on a cash basis in the loan currency and produce the data necessary to prepare regular project reports requested by the stakeholders.

14. DAs' income comprises (a) transfers from the central budget, (b) transfers from local administrations (city and district municipalities), (c) transfers from chambers of industry and commerce, (d) funds received from international organizations, and (e) other resources. DA budget is prepared in accordance with the Budget and Accounting Regulation of the Turkish Development Agencies. The Secretary-General of each DA has the overall responsibility for budget preparation. The proposed budget, together with the work program for the following two years, is approved by the Board of Directors of each DA and is then sent to the MoIT for review. After the review by the MoIT, the budget is finalized within 15 days from the approval date of the Budget Law of the Government.

15. DAs receive beneficiary applications for the programs they implement through KAYS. KAYS is the management system utilized by all DAs in receiving and processing applications for project financing. DA accounting is maintained in KAYS, in line with the uniform chart of accounts issued by the MoIT compliant with the Budget and Accounting Regulation of the Turkish Development Agencies. In cases where there are no provisions in this Regulation, the provisions of the Budget and Accounting Regulation of Local Administrations are applied. The accounting records for the budgeted revenues and expenditures and granted projects and their expenditures are kept in KAYS. These records are maintained by the accounting officers in DAs. The transactions are accounted for in Turkish Liras. DAs prepare semiannual and annual activity reports in line with the annual work program and budget in accordance with the Budget and Accounting Regulation of the Turkish Development Agencies. The content of these reports is determined by the MoIT. The reports include financial and performance indicators, sources used, reasons for the variances that occur and the budget targets and realizations, information on the assets and liabilities, activities of the institutions and organizations provided with support, and basic financial statements and explanations related to these statements (balance sheet, activity reports).

16. DA internal audit function is regulated by the Audit Regulation of Development Agencies published in the Official Gazette No: 27308 on 03/08/2009. According to this, DAs are required to establish internal audit departments. However most DAs do not have assigned internal auditors yet. DAs are also subject to the audit of Turkish Court of Accounts.

17. The MoIT PIU will have overall responsibility for the reporting of the project as well as the documentation of project transactions. The MoIT will have a Designated Account which will be opened at the Central Bank of the Republic of Türkiye. The DAs will also have operational bank accounts where the MoIT PIU will release funds from the Designated Account when the DAs make payments under Components 1 and 2. The DAs will submit all documentation, including authorizations, acceptances, and approvals for payment, to the MoIT PIU. The MoIT PIU will prepare the payment orders/bank transfer orders for execution of payments. All payments for the project will be made from the Designated Account. The DAs will have the authority to process payments from the operational accounts. There will be regular reporting by the DAs to the MoIT PIU. The DAs will report back to the MoIT PIU, reconciling the payments they have made, with supporting documentation. The operational accounts will only be utilized for processing payments under the Project. The format and content of the reports that will be submitted by the DAs to the MoIT will be described in the POM and FSM. The MoIT PIU will be responsible for the



arrangements for the disbursements from the World Bank to the Designated Account in line with the Disbursement and Financial Information Letter (DFIL).

18. The DAs will use the services of a financial institution to channel the funds to the beneficiaries. The flow of funds will follow the current practices adopted by the DAs. The MoIT PIU will transfer funds from the Designated Account that will be opened for the project at the Central Bank of the Republic of Türkiye to the operational account of each DA that will be opened for the purposes of the project. The operational account will be used for transferring funds to the financial institution for disbursements under the reimbursable financing component (to be paid to the beneficiaries).

19. The operational bank account of the DAs will also be used for disbursements of acceleration and incubation grants under Subcomponent 1B. The DAs will send a list of eligible beneficiaries and associated amounts to the MoIT PIU and MoIT PIU will release funds from the Designated Account to the operational bank account of the DA. The FSM will cover the roles and responsibilities of all stakeholders, internal control mechanisms, accounting and reporting requirements, and disbursement mechanisms regarding the grants.

20. Component 2 will be implemented by the MoIT through the DAs. The DAs currently conduct similar programs, and the same systems will be relied upon. The POM/FSM will describe implementation arrangements, roles, and responsibilities of the MoIT PIU, DAs and beneficiaries, as well as reporting requirements. The MoIT will prepare a separate FM Manual that will cover (a) project budgeting, planning procedures, and financial forecasting; (b) the financial and accounting policies and procedures for the project; (c) the organization of the FM unit, functions, staffing, and relevant job descriptions (with special emphasis on the segregation of duties) at the PIU and DAs; (d) the roles and responsibilities of the DAs; (e) the necessary templates for recording, monitoring, and reporting various transactions; (f) project internal controls; (g) disbursement procedures; and (h) project reporting and auditing.

21. The MoIT has an Internal Audit Unit that operates based on the Turkish Public Sector Internal Audit Standards, which are consistent with the International Internal Audit Standards published by the Institute of Internal Auditors. The Internal Audit Unit performs its duties based on the annual audit program that is agreed with upper management at the beginning of each calendar year. The internal auditors will include the project in their annual audit plan by mid-term review to provide qualitative information and recommendations regarding the implementation of the project.

22. Disbursements from the Designated Account will follow the transaction-based method, i.e. traditional World Bank procedures: advances, direct payments, special commitments, and reimbursement (with full documentation and against Statements of Expenditures [SOEs]). The minimum application size for payments directly from the Designated Account for the issuance of special commitments, as well as the SOE limits, will be described in the DFIL. The ceiling of the project Designated Account for advances will also be set forth in this letter.

23. The MoTF will open the Designated Account at the Central Bank of the Republic Türkiye for the use of MoIT. Two signatures indicated in the list of authorized signatories submitted by the MoTF will be required on the withdrawal applications from the Designated Account. Each DA will open operational bank accounts in foreign currency and Turkish Lira, in a public commercial bank allowed as per its relevant regulation. Payments under Components 1 and 2 will flow through these operational bank accounts,



which will be exclusive to the project. These accounts will only be used to facilitate payments at the local level, and no other funds will be deposited to these accounts. Upon receipt of payment request letters by the DAs, supported with invoices, payment lists, or other documents depending on the type of payment, the MoIT PIU will transfer the requested amount to the operational project account of the DA. The DA will then disburse the requested amount to the recipient of the payment.

24. The MoIT PIU will maintain records and will ensure appropriate accounting for the funds provided for the project. Financial statements for the project will be prepared by the PIU. Interim unaudited financial reports will be prepared on a quarterly basis and will be submitted to the World Bank no later than 45 days after the end of the quarter. The MoIT PIU has been preparing Interim Unaudited Financial Reports for SEECO that are comprehensive and satisfactory to the World Bank. The same formats will be adopted for the purposes of SoGreen.

25. As part of the World Bank’s auditing requirements, the project financial statements will be subject to external auditing. The first set of audit reports will be submitted to the World Bank before June 30 of the year following the calendar year in which the first disbursement from the loan has been made. The project financial statements will be audited by the Treasury Controllers in accordance with International Standards on Auditing. The Treasury Controllers are the external auditors for all World Bank-financed projects implemented by ministries and some other government institutions. Project financial statements will be submitted within six months after the end of each calendar year and also at the closing of the project.

26. For operations for which the invitation to negotiate is issued on or after July 1, 2010, the World Bank requires that the borrower disclose the audited financial statements in a manner acceptable to the World Bank. Following the World Bank's formal receipt of these statements from the borrower, the World Bank makes them available to the public in accordance with the World Bank Policy on Access to Information. Accordingly, the MoIT PIU will ensure that the reports are publicly available. The World Bank will also make the reports public in its own systems. The following actions will be taken to enable the World Bank to have adequate fiduciary assurance on the use of funds for intended purposes.

Table 1.3. Action Plan

Action	Due by
POM covering FM arrangements is prepared.	Effectiveness
FSM covering FM arrangements is prepared.	Within 90 days following effectiveness

Procurement

27. **Applicable regulations.** The World Bank ‘Procurement Regulations for IPF Borrowers – September 2023’ (Procurement Regulations) will apply to the proposed project.

28. **Anti-Corruption guidelines.** The World Bank’s ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants’, dated October 15, 2006, and revised in January 2011 and as of July 1, 2016 (Anti-Corruption Guidelines) will apply to the project.

29. **PPSD and Procurement Plan.** According to paragraphs 4.1 and 4.2 of the Procurement Regulations, the PPSD and Procurement Plan covering the first 18 months have been prepared by the



MoIT based on the expected contract types, costs, and procurement risks. The PPSD and the Procurement Plan will be updated at least annually or as required to reflect actual project implementation needs. The PPSD and its updates will be recorded in the Systematic Tracking of Exchanges in Procurement (STEP) tool. The PPSD describes how procurement activities will support project operations for the achievement of the PDOs and deliver value for money. The PPSD is linked to the overall project implementation strategy by ensuring the proper sequencing of procurement activities. It provides information on institutional arrangements for procurement, roles and responsibilities, appropriate procurement methods, procurement due diligence, and other requirements needed for carrying out procurement. The PPSD includes a detailed description of the procurement capacity needed by the MoIT and the DAs for carrying out procurement with a specific focus on contract implementation management, the governance structure, and the accountability framework. It is supported with market research and analysis, which assessed market-related risks and opportunities that will affect the preferred procurement approach to market strategy. Since the subprojects under reimbursable financing and grants are demand driven and unknown, individual Procurement Plan(s) will be prepared by the DAs/beneficiary when the goods, works, and services to be financed under Components 1 and 2 are identified.

30. The PPSD proposes procurements under Subcomponent 1b (ii)(a) and Component 3 be conducted by the MoIT PIU and the DAs in the selection of DA level PIU Consultants. The procurements under reimbursable financing and grant providing components will be performed by the relevant beneficiaries in accordance with the procurement arrangements as stipulated in the POM/FSM and/or agreed Procurement Plans. The MoIT and the DAs will oversee the procurements done by the beneficiaries. The PPSD confirms that the commercial procurement practices of small firms, groups of people, and individuals in Türkiye follow the general rule that they procure the least cost goods, works, and services consistent with acceptable quality requirements. The World Bank provided financing to various credit line operations in Türkiye in which the end users were private sector firms or individuals. All such World Bank-financed credit line projects confirmed that the funds were used by the beneficiaries for the intended purposes, with due consideration of economy and efficiency. Thus, the procurement to be carried out by the beneficiaries under Component 1 of the project will be done in accordance with well-established commercial practices as stipulated in the FSM and confirmed by the relevant DA that these practices are consistent with the World Bank's Core Procurement Principles.

31. The PPSD anticipates that the procurements to be proposed by the municipalities and other public entities and agreed to by the DA/MoIT under Component 2 will be conducted by the relevant public entities in accordance with the procurement arrangements stipulated in the FSM and/or agreed procurement plans. Since the subprojects under Component 2 are demand driven, it is not possible to determine which public entity will actually implement the subproject and what the procurement packages will be at this stage. Once a contract package is determined by a beneficiary, the relevant DA will assess its procurement capacity and the resulting Procurement Plan will be submitted by the MoIT and approved by the World Bank before initiating the procurement. The PPSD discusses that the contracting of individuals in accordance with the MoIT's personnel hiring procedures requires approvals from the PSB and may take a long time. Therefore, the PPSD proposes to hire the individual experts required for the MoIT/DA PIU services in accordance with the individual consultant selection procedures as specified in the Procurement Regulations. These include, but are not limited to, project coordinator, deputy project coordinator(s), procurement specialist(s), FM specialist(s), environment and green transition specialist(s), social specialist(s), M&E specialist(s), and communications specialist.



32. **Procurement tracking.** In accordance with paragraph 5.9 of the Procurement Regulations, the World Bank's STEP tool will be used to prepare, clear, and update the Procurement Plan and conduct all procurement transactions for the project together with the provisions stipulated in the Loan Agreement. Only the MoIT will be given STEP access in the project portal to safeguard the confidentiality of the contract information recorded by different contracting entities. Hence, the municipalities and other public entities that are implementing subprojects under Component 2 will share the procurement information with the relevant DA. The DAs will ensure and maintain that this information is forwarded to the MoIT and processed in STEP by the PIU. A list of procurements performed by the beneficiaries under Component 1 will be recorded in a format agreed by the World Bank and specified in the relevant POM and these records will be submitted by the MoIT at least semiannually to the World Bank.

33. **Advance procurement.** Paragraphs 5.1 and 5.2 (Advance Contracting and Retroactive Financing) of the Procurement Regulations permits a Borrower to proceed with the procurement process before the signing of the legal agreement. In such cases, for the eventual contracts to be eligible for World Bank financing, the procurement procedures, including advertising, must be consistent with Sections I, II, and III of the Procurement Regulations, which cover the World Bank's Core Procurement Principles of economy, efficiency, transparency, fairness, fit for purpose, value for money, and integrity. Accordingly, the MoIT will initiate the selection of the PIU consultants upon publication of the General Procurement Notice.

34. **Procurement methods.** The methods defined in the Procurement Plan will be followed for the procurement of goods and non-consulting services (including logistics and organization services for training and workshops) such as Request for Bids and Request for Quotation procedures in accordance with the provisions of sections 6.5 to 6.7 of the Procurement Regulations, where appropriate, and other methods as agreed in the Procurement Plan.

35. **Selection of consultants.** The methods defined in the Procurement Plan will be followed for the selection of the consultants, such as Quality and Cost-Based Selection (QCBS), Selection Based on Consultants' Qualification (CQS) in line with sections 7.3 and 7.11-7.12 of the Procurement Regulations, and other methods as agreed in the Procurement Plan. For the employment of experts, selection of individual consultants may be used. Subject to justification in terms of economy, efficiency, and equal opportunity to all qualified eligible consultants, the Direct Selection method for consultant firms and individuals may be used. Terms of References (ToRs) for FM, audit, procurement, or legal contracts financed by the project shall be subject to the World Bank's review.

36. **Procurement Risk Assessment.** The World Bank conducted a procurement assessment for the project, with a focus on the MoIT and DAs in terms of (a) procurement regulatory framework and management capability, (b) integrity and oversight, (c) procurement process and market readiness, and (d) procurement complexity. The MoIT is a public entity and subject to the Public Procurement Law under its regular operations, whereas the DAs have their own procurement regulations, as they were established under Presidential Decree No. 4 and are legal entities subject to private law. While the MoIT is subject to external audit by the Court of Accounts, individual DAs are audited by independent external auditing firms established in accordance with the legislation of the Capital Markets Board of Türkiye in addition to the consolidated audit of all DAs by the Court of Accounts. DAs also have a procurement guidance note for procurements to be done by beneficiaries who use development funds, mostly under Guided Project Support programs. Even though the proposed project procurements will follow the procedures specified



in the World Bank’s Procurement Regulations, findings in the assessment concluded that (a) applicable procurement policies and the regulatory system are designed broadly to meet the World Bank’s Core Procurement Principles of value for money, economy, efficiency, effectiveness, integrity, transparency and fairness, and accountability; (b) both the MoIT and DAs have a clear system of accountability on who has control of procurement decisions, with clearly defined responsibilities and delegations of authority; (c) there is a clear identified target market for all procurements; and (d) both the MoIT and DAs effectively manage contracts to ensure delivery according to the contract conditions.

37. The MoIT and DAs have been implementing similar development projects with Government financing for more than 10 years and five DAs have been implementing the EU-funded SEECO since April 2021 that is being administered by the World Bank. Until 2018, DAs were operating under the Ministry of Development and thereafter, they were reestablished under the MoIT. In the DGDA, there are five departments with the necessary staffing. Each department prepares the technical content of the tender documents, and the Department of Administrative Services handles all the procurement activities, with the participation of members from the relevant departments on the tender committees. The DGDA has built experience in the World Bank procurement implementation since 2021 and is familiar with the Procurement Regulations. The PIU under the DGDA will be supported with a procurement specialist from the Department of Administrative Services. In addition, three external procurement specialists experienced in the procurement of international financing institutions, preferably in World Bank procurement, will be hired as individual consultants to work for the PIU immediately after the project effectiveness. Each DA will also be equipped with at least one procurement specialist to do the due diligence in respective procurements of the beneficiaries under reimbursable financing and grant providing components.

38. **Risk and mitigation measures.** Overall project risk for procurement is rated as Substantial. After mitigation measures are implemented, the residual risk would be moderate. The assessment will be recorded in the Procurement Risk Assessment and Management System of the World Bank.

Table 1.4. Identified Procurement Risks and Agreed Action Plan

Identified Risk	Mitigation Measure	Responsible Party	Time Frame
The MoIT shall be implementing two operations using World Bank Procurement rules and procedures simultaneously. The teams in the DGDA are overloaded. The PIU may not be able to meet the procurement deadlines.	The MoIT to establish a dedicated PIU team including three procurement specialists responsible for the project.	MoIT	The procurement specialist will be recruited within 30 days after the project effectiveness. ToRs will be prepared by the MoIT in advance before the project effectiveness and advertised after the signing of the Loan Agreement.
DAs ²⁴ are unfamiliar/have limited familiarity with World Bank Procurement Regulations and contract provisions. It may cause	DAs will employ/assign additional staff, experienced in procurement and contract management, depending on their capacity assessment/s	MoIT/DAs	Before the initiation of the tendering processes under Components 1, 2, and 3.

²⁴ The project requires them to provide procurement capacity assessment of the relevant beneficiaries, review/comment to enhance their procurement plans and thereafter procurement oversight under Components 1 and 2.



misinterpretation of procurement provisions and contract implementations.	and resulting needs. This staff will be trained by MoIT PIU procurement specialists.		
Differentiation of procurement implementations among the implementation entities. It may create unnecessary questions from the procurement stakeholders.	Develop a POM and an FSM describing acceptable procurement procedures.	MoIT	Before the project effectiveness
Risk of use of project finances for unintended purposes by the project beneficiaries under project components.	The MoIT will recruit a consulting firm/assign qualified staff for the procurement oversight of the subprojects under project components to report on its findings on a regular basis	MoIT	Throughout the project
Incomplete environmental and social assessments and plans may delay commencement of the contract implementation.	All environmental and social assessments and plans will be completed before signing the contracts.	MoIT	Throughout the project
Misinterpretation of the Procurement Regulations and terms and conditions of the contracts. It may cause noncompliance and also time and cost overruns in contract implementation.	Work closely with World Bank procurement specialist	MoIT	Throughout the project
Supply chain disruptions will affect procurement processes	Special procurement arrangements to address this risk will be applied as deemed appropriate in the POM and introduction of changes in the procurement strategy.	MoIT	Throughout the project.

39. **Complaint review.** Procurement complaints other than those covered under Annex III of the Procurement Regulations are to be handled by the MoIT in accordance with the procedures agreed by the World Bank and stipulated in the POM. Immediately upon receipt, the complaints will be recorded in the STEP complaint module by the MoIT PIU. The complaint resolution will follow the provisions in paragraphs 3.4 and 3.6 of Annex III of the Procurement Regulations. The procuring entities including those beneficiaries of reimbursable financing and grant components will not proceed with the next stage/phase of the procurement process, including with awarding a contract, without satisfactory resolution of the complaint(s). Complaints will be addressed by the PIU/beneficiaries of reimbursable financing and grant components within a reasonable time but not later than 15 business days of complaint receipt.



40. **Procurement supervision frequency.** The World Bank will review the procurement arrangements performed by the MoIT and the DAs, including contract packaging, applicable procedures, and the scheduling of the procurement processes, for their conformity with the Legal Agreement. Procurements that did not have ex-ante due diligence by the World Bank will be subject to ex-post due diligence on a sampling basis in accordance with the procedures set forth in Paragraph 4 of Annex II of the Procurement Regulations. A post review of the procurement documents will be undertaken annually and/or during the World Bank's supervision mission, or the World Bank may request to review any particular contracts at any time. In such cases, the PIU will provide the World Bank the relevant documentation for its review.

41. Operating costs will not be considered under World Bank procurement implementation.

IMPLEMENTATION SUPPORT PLAN

Strategy and Approach for Implementation Support

42. This Implementation Support Plan (ISP) for the SoGreen Project describes how the World Bank will assist the client in achieving the PDO. The World Bank has experience working with the MoIT and the DAs, through SEECO implementation since 2021, and is familiar with MoIT and DAs' expertise, and procedures. However, only five of the 26 DAs are involved in SEECO, and the US\$400 million equivalent SoGreen Project is of significantly larger volume than of SEECO (EUR 39.5 million). Therefore, close supervision, oversight, and hands-on technical support will be critical.

43. In particular, the ISP places emphasis on accomplishing the following objectives (a) providing the necessary technical advice to the MoIT and the DAs and bringing international experience and good practices to promote successful implementation, (b) ensuring that project investments meet World Bank technical standards and contribute the project objectives, and (c) incorporating close procurement supervision and fiduciary controls to ensure transparent and effective use of project funds in line with World Bank policies and procedures.

44. The project will be implemented over a period of seven years. This ISP also includes support to the MoIT and the DAs before project effectiveness to meet capacity building and project design goals.

45. **Technical implementation support.** The following will be key areas of technical supervision support during project implementation. This support will be provided at all levels (MoIT and DAs).

- (a) Engagement of experienced specialists in green transition and economic opportunity creation. World Bank technical support should engage those with global experience in enterprise development and green transition to support both the design of Components 1 and 2 to work with the MoIT under Components 2 and 3 to design and carry out capacity building and knowledge events for project stakeholders, national actors, and the private sector.
- (b) Engagement of experienced/relevant sectoral experts and engineers during the implementation of Component 2, to ensure the robustness of the infrastructure investments, their compliance with project objectives, and their contributions to the creation of economic opportunities for women and Youth.



46. **Implementation support missions** will be carried out three times a year during the first 18 months of project implementation, followed by semiannual supervision missions. The project team will carry out regular site visits to the project’s DAs and local authorities during implementation.

47. **FM implementation support.** This will include (a) initial support to the MoIT and the DAs for development of flow of funds arrangements for the project, including for the DAs, and technical support and oversight of the DAs in detailing these procedures in the POM and FSM; (b) desk reviews of the project’s quarterly unaudited interim financial reports as well as reviews of the project’s audited annual financial statements and annual auditor’s report and management letter; and (c) onsite supervision (twice per year) to review the continuous adequacy of the project’s FM and disbursement arrangements, including visits to DAs to review the flow of funds and FM arrangements and monitor and manage FM risks. This will include monitoring and reviewing any agreed actions, issues identified by the auditors, randomly selected transactions, as well as other issues related to project accounting, reporting, budgeting, internal controls, and flow of funds, including in project areas.

48. **Procurement supervision and implementation support.** This will include initial support to the MoIT and the DAs for development of procurement arrangements for the project and technical support and oversight of the MoIT and the DAs in detailing these procedures in the POM and FSM. In addition to routine reviews, procurement supervision will be carried out during the team’s missions. Post review will be conducted once a year.

49. **ESF implementation support.** Before effectiveness, social and environmental framework specialists will support the MoIT and the DAs in developing social and environmental guidelines to include in the POM, based on the ESMF. The social safeguards specialist will also support the MoIT and the DAs in developing a beneficiary feedback mechanism, including a grievance mechanism, that meets World Bank standards, and overseeing the effective implementation of the citizen engagement activities defined in the project. The team will have an experienced country consultant for just-in-time support and conduct a series of initial ESF workshops with DAs to ensure clarity on roles and responsibilities. ESF specialists will be requested to join implementation support missions envisioned for three times a year for the first 18 months and then semiannually to track compliance with ESF policy and to monitor activity under the grievance mechanism.

50. **Communications implementation support.** A key aspect of successful implementation will be communications regarding the project with national and community stakeholders. A Communications and Visibility Plan will be prepared and included in the POM. A field-based communications specialist will work as part of the World Bank team to support the MoIT and DAs in implementing the plan at the national and local levels.

51. **ISP with budget.** The ISP for the proposed including timeline, focus, skills needed and estimates of available resources for supervision is presented below.

Table 1.5. Implementation Support Plan

Time	Focus	Skills needed	Resource estimate
Pre-effectiveness	Support for MoIT and DAs in the development of the POM, FSM, and CERC Manual; Support for development of project staff ToRs (MoIT and DAs) and launch of	Technical specialists, FM,	US\$200,000



	selection processes; Support for finalization of ESF instruments; Workshops, trainings, capacity building support for the MoIT, DAs, and target local authorities; Support for development of Communications and Visibility Plan/design of initial communications materials; and Support with the preparation of the methodology for overall vulnerability assessment and regional vulnerability assessments.	procurement and Comms	
Year 1	Launch workshops/capacity building workshops to share lessons and experiences across DAs and local authorities; Technical support and supervision for: (i) Completion of regional vulnerability assessments (year 1); (ii) Spot checks and technical audits of economic facilities completed; (iii) Development of an Institutional Capacity Needs Assessment and Action Plan to guide initial Subcomponent 2B activities; (iv) Oversight of initial training, workshops, and lessons-learned events; (v) FM, Procurement, Safeguards supervision/site visits and trainings for the MoIT, DAs, local authorities as relevant; and Monitoring of results of the Communications and Visibility Plan and supporting additional communications and outreach during implementation.	Task team	US\$325,000 annually
Years 2-7	Oversight and capacity building support to MoIT and DAs in implementation, including after action reviews of the POM-defined project cycle and revisions to the POM and FSM as necessary based on experience of Years 1-2. Midterm review (in Year 3/following initial cycles of Subcomponents 1B and 2B grants in target areas).	Task team	US\$325,000 annually

Table 1.6. Skills Mix Required

Skills needed	Number of staff weeks for 7 years	Number of trips	Location (Indicative/Initial)
Task team leader 1	70	16	Europe and Central Asia region-based staff
Task team leader 2	70	16	Europe and Central Asia region-based staff
Green transition specialist	30	7	STC/ETC
Private sector specialist	10	3	HQ Staff
Energy specialist	10	2	Internal expert
Poverty specialist	15	-	Internal expert
Sector specialists	7	-	CO staff
Energy efficiency expert	7	-	CO staff
Environmental Safeguards specialist	18	6	CO staff
Social safeguards specialist	18	6	CO staff
M&E specialist	40	7	CO consultant
FM specialist	21	7	CO staff
Procurement specialist	21	7	CO staff
Communications specialist	14	-	CO staff/STC



ANNEX 2: DETAILED PROJECT DESCRIPTION

1. The project consists of four components. Component 1 supports women and Youth owned MSMEs; cooperatives and producer unions; as well as MSMEs with access to green financing. Component 2 supports investments in facilities to develop and sustain green businesses. Component 3 is for project management activities, including capacity building, and required analytical activities to inform the design of Components 1 and 2. Component 4 will draw from the uncommitted loan resources under the project’s other components, to finance expenditures in the event of a national crisis or emergency.

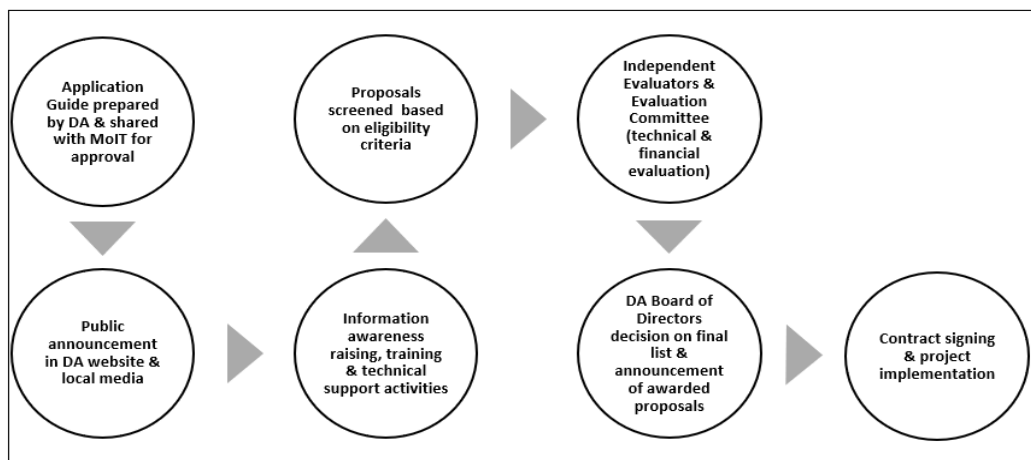
Component 1. Support for Inclusive and Green Investments and Entrepreneurship (US\$211.6 million equivalent)

2. Component 1 supports access to green economic opportunities for women and Youth through the provision of reimbursable financing and grants to support inclusive green activities.

Subcomponent 1A: Inclusive and Green Reimbursable Financing (US\$179.6 million equivalent)

3. This subcomponent provides small and medium enterprises with reimbursable financing, ranging from US\$60,000 to US\$200,000²⁵ equivalent, to support creating green(er), and (more) sustainable activities which contribute to lowering GHG emissions or have negligible impact on GHG emissions. This will help SMEs prepare for, cope with, adapt, and strengthen resilience to climate risks and to align with the national climate policy. The green reimbursable financing aims to strengthen SME’s relevance and sustainability in the context of the green transition, allowing them, in turn to sustain their workforce, and recruit additional workers, with a focus on women and Youth.

Figure 2.1. Overview of DA Call for Proposal Mechanism



4. **Selection of proposals.** Subprojects will be identified using the Call for Proposal mechanism used by DAs. Each implementing DA will prepare detailed Call for Proposal Guides to be approved by MoIT that will include details such as objectives and scope of financial support, priorities, targets, eligibility criteria, and evaluation process. Figure 2.2 provides the funds flow arrangement for Component 1.

²⁵ The indicative amounts are based on an analysis of similar programs implemented by DAs in 2022-2023.

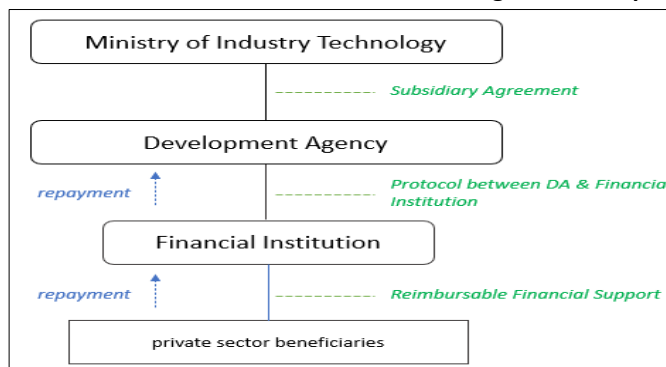


Table 2.1. Summary of Eligibility and Evaluation criteria for Reimbursable Financing

Reimbursable financing US\$60,000 - US\$200,000 equivalent	
Eligible Applicants	Eligibility and Prioritization process
<p><u>Legally registered Small and Medium Enterprises</u></p> <p>Only SMEs that provides a credit eligibility document obtained from an authorized institution will be eligible for reimbursable financing.</p>	<p><u>Subproject eligibility:</u> Only subproject proposals that align with one of the six environmental objectives of the EU 2020 green taxonomy regulation will be eligible.</p> <p><u>Evaluation criteria:</u> Priorities that will apply in evaluating and selecting proposals for financing will include the following: (i) SMEs owned by women or Youth; (ii) Proposals that demonstrate strong potential for job creation for women, Youth, and other vulnerable groups (as an analysis of the number of jobs expected to be created in comparison to the budget); (iii) Proposals from Provinces and Districts identified as less developed and/or vulnerable to climate change (identified in green economic opportunities and challenges reports); and (iv) Investments in sectors identified as having a high potential to generate jobs for women and Youth and potentially other vulnerable groups (identified in green economic opportunities reports).</p> <p><u>Financial and Technical Evaluation</u> will be undertaken based on procedures established in the FSM: Financial and operational capacity; Relevance; Impact and Sustainability; Budget and Cost Efficiency.</p>

5. **Evaluation and selection process.** The evaluation process consists of two stages, including (a) screening and (b) technical and financial evaluation. Following procedures established in the FSM, proposals will be screened for compliance with the criteria specified in the application guide. Eligible proposals will then undergo a financial and technical evaluation. As part of the technical and financial evaluation, subproject applications will be evaluated based on the following steps (a) Evaluation by the evaluation committee (established by the DA); (b) Submission of evaluation report to the DA Board of Directors; and (c) Approval by the DA Board of Directors. Evaluation committee will evaluate subproject proposals based on (a) Financial and operational capacity, (b) Relevance of the proposed subprojects with the objectives of the SoGreen Project, (c) Impact and Sustainability, and (d) Budget and Cost Efficiency. The evaluation committee will comprise of at least five members, with at least five years of experience in their fields. Evaluation committee members will be selected from relevant institutions and from outside the DA region. The evaluation committee will review applications and prepare the final list of proposals. Any evaluation committee member who is exposed to pressure can utilize the confidential grievance mechanisms established for the project. The evaluation committee will submit the final evaluation report and list of the proposals to the DA Board of Directors for final approval.

Figure 2.2. Flow of funds - Reimbursable Financing under Component 1





6. The implementation process of the reimbursable financing under SoGreen will be based on the procedures and processed used by the DAs and will be defined in the FSM.

- (a) DAs will launch a call for proposals for reimbursable financing. An application guide prepared by the implementing DA provides information on the objectives of the support, including eligibility and selection criteria, maximum and minimum amounts of financing, deadlines, required documentation, implementation period, and eligible and ineligible expenses. The call proposal will be reviewed and approved by MoIT.
- (b) Applicants will submit subproject applications, including a credit eligibility document, through KAYS.
- (c) The evaluation and selection process will take place as above described.
- (d) DA will inform the selected applicants and invites them to sign a contract. Upon signing of the contract with the DA, the awarded applicant signs a separate contract with the financial institution that will channel the financing.
- (e) Payments will be made by the financial institution to the awarded entity, based on the protocol between the DA and the financial institution.
- (f) Beneficiaries will pay back the financing in installments to the financial institution within the period specified in the contract between the beneficiary and the financial institution.
- (g) The financial institution will pay back the financing amount to the DA within the period specified in the protocol between the DA and the financial institution.

Subcomponent 1B: Inclusive and Green Grants (US\$32 million equivalent)

(i) Acceleration Grants

7. Acceleration grants ranging from US\$15,000 to US\$50,000 equivalent, will be provided to micro and small enterprises, cooperatives, and producer unions²⁶, to support investments in green and sustainable activities. This aims to support beneficiaries prepare for, cope with, adapt, and strengthen resilience to climate risks and to align with national climate policy, and to support their relevance and sustainability in the context of the green transition, allowing them, in turn to sustain their workforce, and recruit additional workers.

Table 2.2. Eligibility and Selection Criteria for Acceleration Grants

Acceleration Grants US\$15,000 – US\$50,000 equivalent	
Eligible Applicants	Eligibility and Prioritization process
<u>Legally registered Micro Enterprises and Small Enterprises</u> defined in the Regulation on Classification of SMEs.	<u>Subproject eligibility:</u> Only subproject proposals that align with one of the six environmental objectives of the EU 2020 green taxonomy regulation will be eligible: (i) Climate change mitigation; (ii) Climate change adaptation; (iii) The sustainable use and protection of water and marine resources; (iv) The transition to a circular economy; (v)
<u>Producer unions and Cooperatives</u> defined in the Law of Producer Unions	

²⁶ As defined under Cooperatives Law No. 1163 and Agricultural Producer Unions Law No. 5200.



<p><u>and Law of Cooperatives:</u> Cooperatives are collaborative enterprises established by both individuals and legal entities, aimed at safeguarding the economic interests of their members, particularly their professional and livelihood requirements, through the principles of mutual assistance, solidarity, and joint commitment, both in terms of labor and financial contributions. Agricultural Producer Unions Law No. 5200 defines producer unions as legally recognized organizations formed by producers who voluntarily unite to collectively plan production based on demand, enhance product quality, ensure compliance with applicable norms and standards for product delivery to the market, and implement strategies to strengthen the marketing_influence of their products both domestically and internationally.</p>	<p>Pollution prevention and control; and (vi) The protection and restoration of biodiversity and ecosystems.</p> <p><u>Evaluation criteria:</u> Priorities that will apply in evaluating and selecting proposals for financing will include the following: (i) Women-owned micro enterprises; or Youth-owned micro enterprises; or micro-enterprises with over 50 percent of women and Youth employees; (ii) Proposals that demonstrate the stronger potential for job creation for women, Youth, and other vulnerable groups (as an analysis of the number of jobs expected to be created in comparison to the proposal budget); (iii) Proposals that focus on sectors identified in the DA analysis as having a potential to generate jobs for women and Youth and potentially other vulnerable groups; (iv) Proposals from Provinces/Districts identified as vulnerable; and (v) Proposals with a strong social and environmental focus.</p> <p><u>Financial and Technical Evaluation</u> will be undertaken based on procedures established in the FSM: Financial and operational capacity; Relevance; Impact and Sustainability; Budget and Cost Efficiency.</p> <p><u>Co-financing</u> up to 50% of the proposed project cost will be required. Micro and Small enterprises seeking funding from the acceleration grant window must provide up to 50% of the proposed project cost as co-financing, while cooperatives and producer unions are required to contribute between 10% and 25% of the total project cost, depending on the region's level of development, applicant's financial capacity, and the potential contribution of the proposal to local or regional development.</p>
--	---

(ii) Incubation Support for Women and Youth Entrepreneurs

8. Incubation grants ranging from US\$3,000 to US\$15,000 equivalent, will be provided to women and Youth entrepreneurs along with incubation services. DAs have implemented multiple holistic incubation programs that include support services, grant financing, and mentoring support. Under SEECO, five DAs are implementing incubation programs targeting refugee and host community women and Youth. Incubation will include (a) incubation support services (trainings and mentoring); and (b) incubation grants. This model provides tailored support, improving the ability of vulnerable populations to establish sustainable enterprises. The scope and content of the support services will respond to the local conditions, opportunities and challenges identified by each DA at the onset of the project. Incubation services will include personal initiative and soft skills; preparation of business plans for entrepreneurs to mature their business ideas and strengthen climate adaptation and mitigation; market research and competitor analysis; product-market fit; production and management planning; and financial planning; Legal and regulatory support; Financial literacy including in order to strengthen economic resilience to climate change and disaster risks; Training on commercial banking, supporting applicants' future access to loans, and efficient use of banking institutions; Digital literacy: Training on green development and the use of digital technologies to support business growth and climate mitigation and adaptation.



Table 2.3. Eligibility and Selection Criteria for Incubation Grants

Incubation Grants: US\$3,000-US\$15,000 equivalent	
Eligible Applicants	Eligibility and Prioritization process
<p><u>Woman</u> with commitment to establish a company in the target region/province by the end of the support</p> <p><u>Youth</u> (ages 18-35), with commitment to establish a company in the target region/province by the end of the support</p>	<p>Incubation Grant support applications will be screened by DAs based on a simple screening process including: Applicants eligibility; Business idea in line with the EU 2020 green taxonomy (only proposals that align with the one of the six environmental objectives of the EU 2020 green taxonomy will be eligible (i) Climate change mitigation; (ii) Climate change adaptation; (iii) The sustainable use and protection of water and marine resources, (iv) The transition to a circular economy; (v) Pollution prevention and control; and (vi) The protection and restoration of biodiversity and ecosystems); Potential for business sustainability; Potential for women and Youth employment creation.</p> <p>Priorities that will apply in evaluating and selecting proposals for financing will include the following: (i) Proposals that demonstrate a strong potential for job creation for women, Youth, and other vulnerable groups (as an analysis of the number of jobs expected to be created in comparison to the proposal budget); (ii) Proposals that focus on sectors identified in the DA analysis as having a potential to generate jobs for women and Youth and potentially other vulnerable groups; and (iii) Proposals with a strong social and environmental focus and/or focus on climate change mitigation and adaptation. Proposals by applicants who successfully completed the incubation support services program will be prioritized.</p> <p>Financial and Technical Evaluation will be undertaken based on procedures established in the FSM: Financial and operational capacity; Relevance; Impact and Sustainability; Budget and Cost Efficiency.</p>

9. DAs will provide mentoring support during the entire incubation program. For each beneficiary of the incubation grant, a mentor will be assigned, and the mentors will follow the development processes of the entrepreneurs.

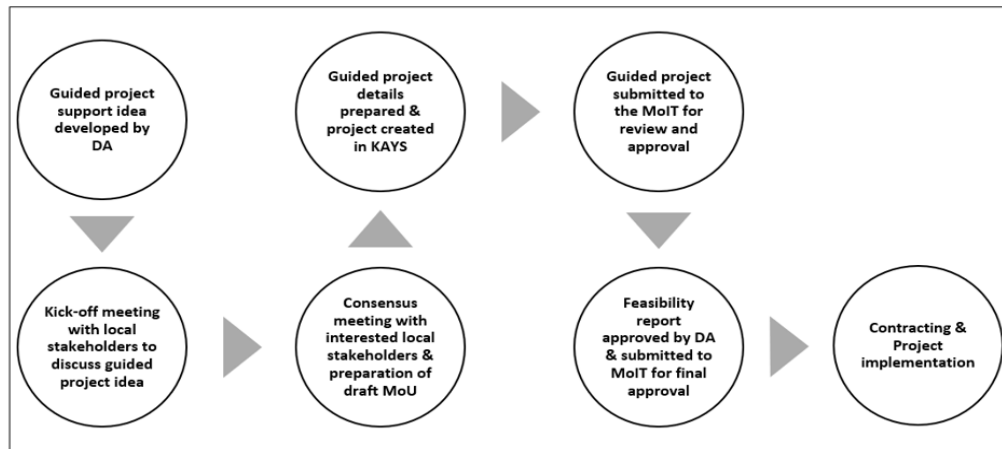
10. **Evaluation and Selection Process.** Proposals for acceleration and incubation grant support under Subcomponent 1B will be evaluated by independent evaluators based on the following evaluation criteria: (a) strong potential for sustainable job creation for women, Youth, and other vulnerable groups (as an analysis of the number of jobs expected to be created in comparison to the proposed budget); (b) focus on sectors identified in the Green Economic Opportunities and Challenges Reports as having a potential to generate jobs for women and Youth; (c) strong social and environmental focus. Financial and Technical Evaluation, as for reimbursable financing and acceleration grants will assess: (a) technical and financial capacity, (b) soundness of the business plan, including its relevance to SoGreen objectives; (c) the sustainability of the proposed business model, and (d) the soundness and cost-efficiency of the proposed budget.

Component 2: Inclusive and Green Community Economic Facilities (US\$172.6 million equivalent)



11. Component 2 will support local investments in facilities supporting the establishment of green and inclusive economic opportunities. Based on the positive list established by each DA, and approved by MoIT, this component will provide financial support in the form of grants, through the guided project support mechanism to provincial and district municipalities and other public entities with local, inclusive, and green infrastructure investments to support inclusive access to green jobs.

Figure 2.3. Overview of DA Guided Project Support Mechanism



12. **Subproject identification stage.** DAs will initiate the process of subproject identification and will convene a kick-off meeting where the relevance, content and possible stakeholders of the project will be discussed. Following the kick-off meeting, a consensus meeting will be held with the participation of all relevant stakeholders at the latest one month after the kick-off meeting. At the consensus meeting, a preliminary Memorandum of Understanding will be drafted by the DA and signed by all relevant stakeholders. In addition, a preliminary report will be prepared to include objectives, scope, duration, estimated cost and the recipient entity. The DAs will prepare the SoGreen Project evaluation criteria. In case the DA Board of Directors approves, within fifteen days following the approval, the guided application from the recipient entity and its partners will be submitted through KAYS, along with the work plan, feasibility, business model, co-financing and other cooperation principles regarding the subproject.

13. **Technical and financial evaluation.** DAs will establish a project evaluation committee, which will consist of at least three DA experts. In cases where an external expert is needed for the evaluation committee, a consultant is recruited to perform duties as the external expert. External experts will review the subproject according to the evaluation criteria. The evaluation committee will score the subprojects by following a two-step evaluation system, including the preliminary evaluation and the final evaluation. Successful and unsuccessful projects will be determined and submitted to the DA by the evaluation committee. An evaluation report will be prepared by the evaluation committee members. First three subprojects for each DA will be subject to prior review by the World Bank. An indicative list of investments is provided below.

14. In the identification and utilization of facilities that will be rented/availed to MSMEs, the project will apply the existing processes to ensure transparency and accountability. The MSMEs will be selected by a call for proposal, applying the above-mentioned call for proposal selection mechanism. Verification



of proper and adequate utilization of the facilities by the selected MSMEs will be ensured by regular DA monitoring, as well as regular reporting by the beneficiary public entity, and SoGreen beneficiary surveys.

Table 2.4. Indicative list of investments under Component 2

Example of subproject	Description
Green transition incubation and acceleration center	Construction of and equipment for a production facility, designed to host multiple small entrepreneur workshops. The recipient public entity would avail individual workshops to selected entrepreneurs, from vulnerable groups, with green business models to incubate and accelerate enterprise and promote inclusive entrepreneurial ecosystem to foster equitable and resilient communities.
Greenhouse for socio-economic inclusion	Construction of and equipment for a greenhouse, constructed following low-carbon and climate resilient building standards. The recipient public entity would implement the subproject and avail the greenhouse to local cooperatives/producer unions to create economic opportunities for vulnerable groups and promote their participation in social and economic life.
Wastewater recovery and re-use facility	Construction of facility attached to existing water treatment facilities in organized industrial zones. The recipient public entity would operate the facility for reuse of wastewater in industrial production processes with the objectives of reducing negative effects of polluted water and consumption of groundwater; and developing rural economy by allocating more water for agriculture entrepreneurs/cooperatives/producer unions.
Green garment production facility	Construction of and equipment for green garment production facilities with zero carbon emissions. The recipient public entity would avail the facility to private sector stakeholders to promote the transformation of garment manufacturing sector in the region with green transition applications and generating new economic opportunities.
Marble waste upcycling facility	Construction of and equipment for new facility. The recipient would operate the facility for upcycling marble waste and turning them into construction materials.
Permaculture plant	Construction of and equipment for low-carbon and climate resilient food processing facilities. The recipient public entity would avail the facility to local communities (individuals, entrepreneurs, cooperatives, producer unions) to promote economic opportunities through agriculture and/or animal husbandry activities.
Compost plant	Construction and equipment of compost facility where the wastes of the hotels/enterprises to generate new economic opportunities for social enterprises and promote re-use of food waste.
Fruit and vegetable drying facility	Construction and equipment of a facility for promoting fruit and vegetable drying sector using geothermal energy from existing facilities. The recipient public entity will avail the facilities to new and existing cooperatives, producer unions, and agriculture entrepreneurs to promote economic opportunities.
Energy efficiency center	Construction and equipment of regional/provincial hub to provide technical assistance to private sector for the development and dissemination of sustainable production, industrial symbiosis, and digital transformation practices and to promote new economic opportunities.
Childcare facility	Construction/refurbishment and equipment of a room designed for childcare, within a production facility to be funded under SoGreen. The recipient public entity would commit to availing human resources to operate the facility, and to complying with laws and regulations of childcare operations.

Component 3: Project Management and Capacity Strengthening (US\$15.8 million equivalent)

15. This component will cover regional Green Economic Opportunities and Challenges analyses, capacity strengthening activities, communications and awareness raising, and project management.



Subcomponent 3A: Green Economic Opportunities and Challenges Analysis (US\$800,000 equivalent)

16. This subcomponent will finance technical assistance procured by the MoIT PIU to support each DA, with the analysis of inclusive regional Green Economic Opportunities and Challenges in the green transition. The analysis will use both qualitative and quantitative methods and be conducted in a participatory manner. This analysis will: (a) Refine the target vulnerable groups in each region – in addition to women and Youth, known to be excluded from economic opportunities in Türkiye, DAs might identify additional specific groups that should be targeted in their region; (b) Identify priority less developed provinces and/or districts in each region, to prioritize support under Components 1 and 2; and (c) Identify priority sectors for investment under Components 1 and 2, based on opportunities in each region, and the potential of specific sectors to create and support economic opportunities for women, Youth, and other vulnerable groups.

Subcomponent 3B: Capacity Strengthening (US\$2 million equivalent)

17. This subcomponent will finance capacity building at the national and local level to strengthen local capacity with regards to planning for an inclusive and sustainable green transition, with a specific focus on mitigating the negative social impacts of the green transition and using the green transition to foster inclusion, support adaptive capacity among transition-affected communities, and generate positive social impacts. This component is aligned with the CCDR's recommendation to invest in capacity building and institutional strengthening. The DAs current roles and responsibilities in regional development will ensure coordination and complementarities at the local level.

Subcomponent 3C: Project Management (US\$13 million equivalent)

18. Project Management will cover the costs of the MoIT and DA PIUs, project administration, implementation and supervision including procurement and financial management activities and audits; preparation of subproject designs and construction supervision; implementation of environmental and social monitoring; quality assurance responsibilities; technical management and oversight; grievance redress mechanism; and project M&E.

Component 4. Contingency Emergency Response Component (CERC) (US\$0 million)

19. This component, to be implemented by MoIT, is included in accordance with World Bank Policy: Investment Project Financing, paragraphs 12 and 13, for contingent emergency response through the provision of immediate response to an Eligible Crisis or Emergency, as needed. The component will allow the Government to respond promptly and effectively to an eligible emergency or crisis, which is a natural or human-made disaster or crisis that has caused or is likely to imminently cause a major adverse economic and/or social impact by requesting a rapid reallocation of project funds. The MoIT will prepare a dedicated CERC Manual which will include provisions for activating and implementing the CERC.