**INTEGRATED SAFEGUARDS DATASHEET**

**APPRAISAL STAGE**

**I. Basic Information**

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| Date prepared/updated: 12/03/2014 | Report No.: 92991  |
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| **1. Basic Project Data**  |  |
| Country: Turkey | Project ID: P148858 |
| Project Name: Long Term Finance Guarantee |
| Task Team Leader: Ilias Skamnelos |
| Estimated Appraisal Date: November 12, 2014 | Estimated Board Date: February 23, 2015 |
| Managing Unit: GFMDR | Lending Instrument:  |
| Sector: Banking (50%);SME Finance (50%) |
| Theme: Micro, Small and Medium Enterprise support (50%);Other Financial Sector Development (50%) |
| IBRD Amount (US$m.): 0IDA Amount (US$m.): 0GEF Amount (US$m.): 0PCF Amount (US$m.): 0 |
| Other financing amounts by source:  Borrower 0.00 IBRD Guarantee 400.00 400.00 |
| Environmental Category: F - Financial Intermediary Assessment |
| Simplified Processing | Simple [] | Repeater [] |
| Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies) | Yes [ ] | No [X] |

**2. Project Objectives**

The Project Development Objective (PDO) is to improve access to longer term finance for micro, small and medium enterprises and export oriented enterprises.

**3. Project Description**

A single component will utilize estimated market finance to Halkbank of USD500 million for extending sub-loans to MSMEs and EOEs. Halkbank will utilize the total volume raised to extend directly sub-loans to the final beneficiaries of the project.

For the purpose of this project, MSMEs will be defined as firms employing fewer than 250 people, and EOEs as exporting firms employing fewer than 1,000 people. The definition of exports will follow the national account definition, and an EOE's exports will have to constitute at least 10 percent of its annual sales.

At least 60 percent of the Guaranteed Loan will be used to fund MSMEs. Although micro enterprises will be supported by the project, it is expected that the majority of the sub-loans will be to small and medium enterprises. At least 15 percent of the market finance raised and allocated for MSME sub-loans, shall be utilized for MSME sub-projects in underserved Priority Regions. There will be no sectoral restrictions, and financing will be extended on market terms to avoid any distortion.

**4. Project Location and salient physical characteristics relevant to the safeguard analysis**

Halkbank will provide loans to MSMEs and EOEs throughout Turkey, so the project locations are unclear at this moment.

**5. Environmental and Social Safeguards Specialists**

Ms Zeynep Durnev Darendeliler (GSURR)

Ms Esra Arikan (GENDR)

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|  | **6. Safeguard Policies** | **Triggered?** | **Explanation (Optional)** |
|  | Environmental Assessment OP/BP 4.01 | **Yes** | The Environmental Category of the project is FI, as all the investments under the project will not be identified until project implementation. Environmental assessments for the sub-projects will be carried out by Halkbank in accordance with both the Government of Turkey Environmental Assessment (Regulation on Environmental Impact Assessment, from the Ministry of Environment and Urbanization-MoEU) and the World Bank EA (OP 4.01) requirements. Due to the nature of the project it is expected to receive working capital applications or investment loan applications which will include machinery purchase/replacement or small scale construction works. Therefore, it is expected that there will be no large scale significant and/or irreversible impacts. Sub-projects in environmental Category A will not be eligible for funding. The environmental assessment (including environmental due diligence) procedures will be conducted according to the environmental review framework which will be prepared by Halk Bank and approved by the World Bank. The environmental review framework also includes evaluation forms for assessing the environmental due-diligence of the existing facilities which will be applying for guarantee operation. The framework provides guidance for additional requirements if the application includes activities which will then lead to a classification of 'Category B' of the sub-projects. The framework also includes a methodology for 'implementation support missions'. It is expected to have a prior review for an initial set of projects whereby WB will review all safeguard documentation, and then it is planned to have a sampling system where WB's environmental and social safeguard specialists will conduct site visits and safeguard documentation assessment for randomly selected sub-projects. |
|  | Natural Habitats OP/BP 4.04 | **No** |  |
|  | Forests OP/BP 4.36 | **No** |  |
|  | Pest Management OP 4.09 | **No** |  |
|  | Physical Cultural Resources OP/BP 4.11 | **No** |  |
|  | Indigenous Peoples OP/BP 4.10 | **No** |  |
|  | Involuntary Resettlement OP/BP 4.12 | **No** | Land acquisition is not eligible under the proposed project so OP 4.12 is not triggered.  |
|  | Safety of Dams OP/BP 4.37 | **No** |  |
|  | Projects on International Waterways OP/BP 7.50 | **No** | Since the policy on international waterways is not triggered, there is a positive list of watersheds in Turkey in the framework which will guide Halkbank for the eligible locations of the actions. The waterways identified as NOT an international waterway (do not trigger OP 7.50) in Turkey are as follows: Susurluk, North Aegean, Gediz, Kuçuk Menderes, Buyuk Menderes, Western Mediterranean, Antalya, Sakarya, Western Black Sea, Yesilirmak, Kizilirmak, Konya Kapali, Eastern Mediterranean, Seyhan, Ceyhan, Eastern Black Sea, Burdur, Afyon, Orta Anadolu, and Van. |
|  | Projects in Disputed Areas OP/BP 7.60 | **No** |  |

**II. Key Safeguard Policy Issues and Their Management**

***A. Summary of Key Safeguard Issues***

**1. Describe any safeguard issues and impacts associated with the proposed project.** Identify and describe any potential large scale, significant and/or irreversible impacts:

The project is subject to environmental assessment (OP/BP/GP 4.01). The Environmental Category of the project is FI, as all the investments under the project will not be identified until project implementation. Environmental issues of sub-borrowers and their sub-projects will be addressed through the sub-loan environmental eligibility assessments. Environmental assessments will be carried out in accordance with both Government of Turkey Regulation on Environmental Impact Assessment and World Bank EA (OP 4.01) requirements. National laws and regulations under environmental law will also be monitored while conducting the due-diligence studies for the existing facilities applying for sub-loans. No large scale significant and/or irreversible impacts are anticipated within the scope of the project. Sub-projects in environmental category A will not be eligible for funding. The procedures and institutional responsibilities are all delineated in the Environmental Review Procedures Documents of each borrower. The project may include small scale construction works related to buildings renovation and construction. The possible environmental impacts associated with these small scale rehabilitation or reconstruction works are minor, short-term and mainly during the construction phase (including temporary emissions of particulate matter/dust to the air, noise pollutions, etc.).

Any sub-loan applicant will apply to HalkBank for financing after all the necessary environmental clearance is obtained from Turkish environmental authorities. Then it is the responsibility of HalkBank to make the World Bank screening to the sub-projects. In order for the World Bank to fulfill its fiduciary responsibilities, for the first five sub-sub-project applications submitted to HalkBank, they will provide information on the sub-project to the WB for "prior review", together with its proposed classification of the sub-project (Category B or C) and the advice it proposes to give to the sub-borrower regarding additional actions needed to fulfill World Bank requirements as detailed in this Operational Manual. Following this "pilot" period, if the Halk Bank and the World Bank agree, the World Bank will change to spot checking the screening and environmental review process on a "post review" basis. Implementation of environmental procedures as defined for Category B and C sub-projects above is the responsibility of Halk Bank as the FI. Regarding the monitoring issues, HalkBank will monitor the sub-project implementation to assure that all conditions specified in the granting of the approvals are being followed. Environmental evaluations and review procedures will be subject to ad hoc post review by World Bank supervision missions. The World Bank will have the authority to review and post review all sub-projects.

**2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:**

This will be evaluated in individual sub-loan environmental documents as needed.

**3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.**

This will be evaluated in individual sub-loan environmental documents as needed.

**4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.**

As part of the Operations Manual, the borrower HalkBank has prepared the Environmental Review Procedures which serve as the Environmental Management Framework (EMF) and define the environmental assessment procedures for the project. According to the EMF, sub-loan applicants will be required to carry out an environmental screening, due-diligence (for the existing facilities) and assessment of the proposed subprojects according to the World Bank safeguards procedures and to obtain environmental permits as prescribed by national legislation.

Halk Bank will be responsible for the quality assurance of these environmental documents and monitoring of the sub-projects. In this regard, Halk Bank has been found successful during the implementation of the previous SME credit line operations, and by it is highly recommended that they sustaining their staff responsible for environmental safeguards compliance and continue receiving guidance from WB on environmental safeguard issues.

**5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.**

The environmental review/management framework (EMF) document has been prepared and disclosed in country in Turkish and in English through the website of Halk Bank. In case sub-loan applications are categorized as 'B' and public consultation is necessary, these will be conducted while the sub-project EMPs are being prepared.

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| ***B. Disclosure Requirements Date*** |  |  |
| **Environmental Assessment/Audit/Management Plan/Other:** |
| Was the document disclosed **prior to appraisal?** | Yes |  |
| Date of receipt by the Bank | 24-Nov-2014 |  |
| Date of "in-country" disclosure | 24-Nov-2014 |  |
| Date of submission to InfoShop | 26-Nov-2014 |  |
| For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors |  |  |
| **Resettlement Action Plan/Framework/Policy Process:** |
| Was the document disclosed **prior to appraisal?** |  |  |
| Date of receipt by the Bank |  |  |
| Date of "in-country" disclosure |  |  |
| Date of submission to InfoShop |  |  |
| **Indigenous Peoples Plan/Planning Framework:** |
| Was the document disclosed **prior to appraisal?** |  |  |
| Date of receipt by the Bank |  |  |
| Date of "in-country" disclosure |  |  |
| Date of submission to InfoShop |  |  |
| **Pest Management Plan:** |
| Was the document disclosed **prior to appraisal?** |  |  |
| Date of receipt by the Bank |  |  |
| Date of "in-country" disclosure |  |  |
| Date of submission to InfoShop |  |  |
| **\* If the project triggers the Pest Management and/or Physical Cultural Resources, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.** |
| **If in-country disclosure of any of the above documents is not expected, please explain why:** |
|  An Environmental Review Procedures document (Environmental Review Framework) was prepared by Halkbank and was disclosed on its website on 24 November, 2014, followed by InfoShop disclosure on 26 November, 2014. |

***C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)***

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| **OP/BP/GP 4.01 - Environment Assessment** |  |
| Does the project require a stand-alone EA (including EMP) report? | Yes |
| If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report? | Yes |
| Are the cost and the accountabilities for the EMP incorporated in the credit/loan? | Yes |
| **The World Bank Policy on Disclosure of Information** |  |
| Have relevant safeguard policies documents been sent to the World Bank's Infoshop? | Yes |
| Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? | Yes |
| **All Safeguard Policies** |  |
| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? | Yes |
| Have costs related to safeguard policy measures been included in the project cost? | Yes |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? | Yes |
| Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? | Yes |

***D. Approvals***

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| ***Signed and submitted by:*** | ***Name*** | ***Date*** |
| Task Team Leader: | Mr Ilias Skamnelos | 12/3/14 |
| Environmental Specialist: | Ms Esra Arikan | 12/4/14 |
| Social Development Specialist | Ms Zeynep Durnev Darendeliler | 12/4/14 |
| Additional Environmental and/or Social Development Specialist(s): |  |  |
|  |  |  |
| ***Approved by:*** |  |  |
| Sector Manager: | Ms Aurora Ferrari | 12/4/14 |
| Comments:  |