

REPUBLIC OF TURKEY

FOURTH EXPORT FINANCE INTERMEDIARY LOAN (EFIL IV)

(LOAN NUMBER _____)

**ENVIRONMENTAL FRAMEWORK
FOR
PARTICIPATING FINANCIAL INSTITUTIONS**

JANUARY, 2011

III. ENVIRONMENTAL REVIEW PROCEDURES

Background

1. Any sub-loan to be financed under the Fourth Export Finance Intermediation Loan (EFIL IV) should be subjected to an environmental review process by the PFI incorporating the procedures described in this section. The PFIs should use these environmental review procedures in evaluating a proposed enterprise subproject, and to inform the eligible enterprises' of environmental requirements for sub-loan appraisal, so that subprojects can be implemented in an environmentally sound manner. These procedures are consistent with the Republic of Turkey's regulatory requirements for Environmental Review (Regulation on Environmental Impact Assessment published in Official Gazette No: 26939, dated 17 July 2008, as supplemented by Article 10 of Environmental Act No: 2872 dated August 9th, 1983) from the Ministry of Environment and Forestry (MoEF) and World Bank policy on environmental assessment (EA, OP/BP 4.01).

2. Two types of sub-loans/projects will be considered under the project: (a) working capital, and (b) investment. The procedures essentially consist of the following elements:

- Compliance with Turkish Environmental Requirements
 - Ø Proposed subproject
 - Ø Enterprise due diligence
- Screening
- Documentation
- Public Consultation
- Disclosure
- Review and Approval
- Conditionality and Contractual Obligations
- Monitoring and Reporting

3. Details of procedures required for each of these elements are subsequently described.

COMPLIANCE WITH TURKISH ENVIRONMENTAL REQUIREMENTS

Proposed Subproject (Investment Sub-loan)

4. After the sub-borrower obtains all required Turkish environmental approvals, it will be required to submit to the PFI an information package demonstrating that Turkish EA procedures were followed in strict accordance with Turkish regulations. The information package should include the following:

- a. Feasibility study (investment project);
- b. Sub-borrower documentation establishing Turkish EA screening decision (Annex I, Annex II or no Annex);
- c. Any EA documents prepared to meet Turkish EA requirements (EIA and/or PIF);
- d. Environmental authority EIA approval letter or "No EIA Required" letter;
- e. For sub-projects in recognized historic areas and/or involving cultural property issues, an approval letter from the local municipality office responsible for application of Turkish laws related to cultural heritage;
- f. Record of any public consultation (if an EIA was prepared, the public consultation record should be included in the EIA document).

Enterprise Due Diligence

5. For sub-loans involving existing enterprises (working capital and investment projects) the PFI will complete the checklist (which includes a “Negative List”) presented in Annex A for environmental due diligence of the overall enterprise. The PFI may wish to consult with the PIU for guidance in completing this form.

SCREENING

6. As a first screening step, the PFI will identify and reject the following types of subproject proposals, as not eligible for financing under this project:

- a. any subproject the PFI classifies as “Category A” based upon the World Bank criteria presented in Annex B (see further guidance on assigning categories below);
- b. any sub-project that triggers World Bank policy on Safety of Dams (OP/BP 4.37), i.e. the project involves construction or rehabilitation of a dam, or achievement of the project’s objectives is dependent upon an existing dam;
- c. any sub-project that triggers the World Bank policy on Projects on International Waterways (OP/BP 7.50) i.e. the investment can involve the use or pollution of, or otherwise affect the quality or quantity of water of an international waterway, as defined in OP/BP 7.50 (applicability of this World Bank policy is not always straightforward. PIU officials should be consulted if the PFI is uncertain if this policy applies. PIU officials, in turn, may wish to consult with the World Bank); and
- d. any sub-project that supports an investment requiring land acquisition or associated involuntary resettlement, as defined by the World Bank’s policy on Involuntary Resettlement (OP/BP 4.12).

7. The PFI will review the subproject documentation submitted by the sub-borrower and Turkish screening decision and utilize the screening form presented in Annex B to further classify subprojects as Category A, Category B or Category C in accordance with the World Bank EA policy (OP 4.01).

8. Annex B includes screening criteria for *both* investment and working capital sub-loans. So even though the Turkish EA screening criteria are established for *investment* loans, World Bank screening criteria, as presented in Annex B includes both investment and working capital sub-loans. The PFI may also wish to consult with the PIU for guidance in completing this form as well.

9. The Table below summarizes the likely outcomes of the Turkish and World Bank screening systems:

Turkish EA Screening Decision	World Bank Screening EA Decision		
	Category A	Category B	Category C
Annex I (investment sub-loan)	X	X	
Annex II- EIA Necessary Decision (investment sub-loan)	X	X	
Annex II- EIA Not Necessary Decision (investment sub-loan)	X	X	X
No Annex (investment or working capital sub-loans)		X	X

10. From the Table, the “X” entries indicate possible outcomes and the shaded entries are the most likely results, i.e. a subproject screened as Annex I under the Turkish system would probably be assigned

Category A (shaded and “X”) but it is possible for an Annex I subproject under the Turkish system to be assigned Category B (unshaded and “X”) under the World Bank system.

11. *For the World Bank project, any subproject assigned “Category A” based upon the World Bank criteria presented in Annex B will not be eligible for World Bank financing.*

12. Since “Category A” subprojects will not be eligible and “Category C” subprojects have no further environmental requirements, the procedures presented below will only be required for sub-loans (investment or working capital) that have been assigned “Category B”. For the loan applications involving existing enterprises, as working capital or machinery purchase type of investment loans, the EMP preparation, public consultation and disclosure steps of environmental review procedures will not likely¹ to apply. If the investment loan was required in order to conduct new construction type activities, or any activity that might have adverse environmental impacts then the following procedures should be applied.

DOCUMENTATION

13. Environmental documentation is the responsibility of the sub-borrower. Normally, the World Bank requires preparation of an Environmental Management Plan (EMP) for a Category B project. However, in some cases, the PFI in collaboration with the PIU may determine that environmental issues are relatively minor, mitigation schemes are well-known and easily applied and there is no likelihood that any activities associated with the construction/installation and/or enterprise operation will present any health or safety issues beyond the plant fence. For these cases, a simple environmental checklist or mitigation plan (see ANNEX C: “FORMAT FOR AN EMP”, Table “1. MITIGATION PLAN”) would suffice.

14. If the PFI determines that an EMP is required, the Screening Table indicates three possibilities:

- Turkish EIA prepared (Annex I or Annex II/ EIA Necessary Decision);
- Turkish PIF prepared (Annex II/ EIA Not Necessary Decision);
- No Turkish EA document prepared (No Annex).

15. For subprojects in which the sub-borrower had prepared either a PIF and/or an EIA under the Turkish system, the sub-borrower should utilize information those Turkish documents to prepare the EMP in accordance with the format presented in Annex C.

16. If there had been no requirement to prepare either a PIF and/or an EIA under the Turkish system, the sub-borrower should consult with PFI for guidance in the preparation of the EMP

17. Subprojects that involve excavation and thus the risk of discovering cultural artifacts (chance finds) will include procedures and responsibilities for managing this risk in the sub-project EMP/Mitigation Plan/Checklist. The procedures should indicate that in case any historical, cultural or archeological asset is encountered during excavation, the excavation work shall be stopped and the Provincial/Municipal Directors of Culture and Information Services shall be immediately informed thereof. No persons are permitted to remove articles or disturb the area: such actions are grounds for dismissal or contract cancellation. The construction work will be resumed after inspection and written approval by these authorities is received.

¹ In some extreme cases (e.g. using the loan for purchasing and storing hazardous material in a sensitive area close to settlements, etc.), PIU could decide that an EMP and a simple public consultation is necessary for some working capital loans or machinery purchase type investment loans, if PIU assumes that with the usage of this loan there is a risk of adversely affecting human or natural environment.

PUBLIC CONSULTATION

18. The sub-borrower is responsible for any public consultation. The World Bank normally requires at least one public consultation with locally affected groups and NGOs for preparation of an EMP. Turkish environmental regulations also require a public consultation in the preparation of an EIA for Annex I or Annex II projects with an “EIA Necessary Decision”.

For subprojects which required a Turkish EIA, the PFI should review the documentation provided by the Sub-borrower (see paragraph 4e, above) to determine if the information contained is consistent with World Bank public consultation documentation requirements presented in Annex D. If the PFI is satisfied that the Turkish public consultation satisfies World Bank requirements no further consultation is needed.

For subprojects which did not require public consultation under the Turkish system, the PFI should determine if a public consultation is necessary to satisfy World Bank requirements. Subprojects which only require a simple mitigation plan or checklist do not need a public consultation (see paragraph 13, above). For all other subprojects the PFI should inform the sub-borrower to conduct a public consultation and provide them with documentation presented in Annex D.

(Note: if a public consultation is required, any significant issues identified at the consultation should be included in the EMP).

DISCLOSURE

19. The sub-borrower should disclose the EMP/checklist in a public place (library, municipal or government building etc.) near the subproject site;²—and/or place the EMP/checklist on the company website and place a notification in the local media (e.g. newspaper) as to where the EMP/checklist may be viewed. If necessary, the PFI could discuss the appropriate approach to public disclosure with the PIU. The sub-borrower should then send a letter to the PFI indicating the date, location, and manner in which the EMP/checklist was disclosed to the public. The PFI should place this letter in the subproject file.

20. Alternatively, if there is agreement with the sub-borrower, the PFI could disclose the EMP/checklist on the PFI website and note details of the disclosure in the subproject file.

REVIEW AND APPROVAL

21. The PFI is responsible for reviewing and approving the EMP. However, it may seek advice and guidance from the PIU for at least the first four subprojects in performing this task. If a Turkish EA document had been prepared (EIA and/or PIF), the PFI should check to make sure the EMP is consistent with the Turkish EA documentation. In addition, the PFI should also make sure any significant issues raised at any public consultation are also reflected in the EMP.

CONDITIONALITY AND CONTRACTUAL OBLIGATIONS

22. The PFI will include in the sub-loan agreement a commitment for sub-borrower to obey requirements set forth in the EMP/Mitigation Plan/Checklist. The sub-borrower should include the EMP/Mitigation Plan/Checklist in any bid document prepared and in any subcontractor agreement or purchase order (working capital loans).

² Public disclosure of the EMP/checklist should be done regardless of whether or not a public consultation was performed. If no public consultation was conducted, a short project description should be included with the EMP/checklist to provide the public some understanding of the project background and objective.

MONITORING AND REPORTING

23. As part of normal supervision activities, the PFI will perform desk and field based supervision functions to assure compliance by the sub-borrower with environmental obligations specified in the sub-loan agreement. The PIU will perform annual desk and field based supervision of the PFIs and sub-projects to assure the safeguard compliance. Then a supervision monitoring report will be prepared by the PIU and submitted to the World Bank.

24. The supervision monitoring report will include overall statistics for each PFI on the number of projects subjected to environmental review, screening result, site inspection, EA documents reviewed/approved and if any particular environmental issues raised with attention to how they were or will be resolved.

25. The World Bank will continue post reviews and visit the sub-project sites (if necessary) during the supervision missions to check the safeguards compliance.

ANNEX A:
OVERALL ENTERPRISE ENVIRONMENTAL DUE DILIGENCE SCREENING FORM

Criteria	N/A	YES	NO	Comments
<p style="text-align: center;">NEGATIVE LIST</p> <p><i>Does the enterprise engage in any of the following activities</i></p> <p>Any kind of military hardware</p> <p>Trade in wildlife and wildlife products prohibited under the CITES convention;</p> <p>Release of genetically altered organisms into the natural environment</p> <p>Manufacturing, distribution and sale of banned pesticides and herbicides;</p> <p>Drift seine netting in the marine environment;</p> <p>Radioactive products;</p> <p>Hazardous waste storage, treatment and disposal;</p> <p>Manufacturing of equipment and appliances containing CFCs, halons and other substances regulated under the Montreal Protocol;</p> <p>Manufacturing of electrical equipment containing polychlorinated biphenyls (PCBs) in excess of 0.005 percent by weight;</p> <p>Manufacturing of asbestos-containing products;</p> <p>Nuclear reactors and parts thereof;</p> <p>Tobacco, unmanufactured or manufactured;</p> <p>Tobacco processing machinery.</p>				If YES, subproject is eliminated from further consideration
Does the enterprise have a valid operating permit, valid license, and all necessary government approvals to conduct business?				If NO, the client must obtain all required licenses/permits/approvals etc. prior to subproject approval
Does the enterprise meet all Turkish environmental regulations regarding air emissions, water discharges, and solid waste management?				If NO, the client must take corrective measures to meet Turkish regulations prior to subproject approval
Does the enterprise have any outstanding environmental liabilities (fees, fines, penalties, pending legal actions/decisions)				If YES, the enterprise must take corrective measures to remove these liabilities prior to subproject approval
Have there been any complaints raised by local affected groups or NGOs regarding conditions or operations at the enterprise				If YES, the enterprise must take corrective measures to remove these liabilities prior to subproject approval

ANNEX B:
SUBPROJECT ENVIRONMENTAL DUE DILIGENCE SCREENING FORM

Investment: Construction of Physical Facilities

Criteria	N/A	YES	NO	Comments
Will the subproject likely have significant negative environmental impacts that are sensitive, unique, or are difficult and expensive to control?				If YES, assign Category A
Will the subproject likely have significant impacts to the human or natural environment that extend well beyond the enterprise boundaries, and are long-lasting?				If YES, assign Category A
Will the subproject likely have negative impacts to the human or natural environment that are modest, confined to a small region and are temporary or short-lived and these impacts are easy and inexpensive to control?				If YES, assign Category B
Will the subproject likely have no minor or no negative impacts to the human or natural environment?				If YES, assign Category C

Investment: Process Improvement

Criteria	N/A	YES	NO	Comments
Will process equipment or machinery be purchased with the sub-loan proceeds which presents a significant health or safety risk that is: (a) difficult or expensive to control, (b) non-compliant with EU requirements, or (c) requires highly specialized skills currently unavailable within the enterprise?				If YES, assign Category A
Will process equipment or machinery be purchased with the sub-loan proceeds which presents a modest health or safety risk that is: (a) easy, inexpensive, and can be controlled with well established procedures, (b) compliant with EU requirements, or (c) requires routine skills to operate? currently unavailable within the enterprise?				If YES, assign Category B
Will process equipment or machinery be purchased with the sub-loan proceeds which presents no health or safety risk?				If YES, assign Category C

Working Capital

Criteria	N/A	YES	NO	Comments
Will any hazardous or dangerous materials be purchased with the sub-loan proceeds that are: (a) difficult or expensive to manage (handle, transport, store), (b) non-compliant with EU requirements, (c) requires highly specialized skills and/or worker protection equipment currently unavailable within the enterprise or (d) poses a significant health or safety risk to the nearby population?				If YES, assign Category A
Will any hazardous or dangerous materials be purchased with the sub-loan proceeds that are: (a) routine with well established management systems (handle, transport, store), (b) compliant with EU requirements, (c) requires reasonable skills and/or worker protection equipment or (d) poses a small health or safety risk to the nearby population?				If YES, assign Category B
Will materials be purchased with the sub-loan proceeds that pose no health or safety risk to workers or the nearby population?				If YES, assign Category C

ANNEX D: PUBLIC CONSULTATION DOCUMENTATION

- Manner in which Public Consultation was announced
 - Media (newspaper, TV, radio)
 - Announcement date(s)
 - Copy of announcement (if available)
- Date(s) of Consultation
- Location(s) of Consultation
- List of persons invited/contacted
- List of persons attending/participating
- Manner of Consultation
 - Public meeting
 - Questionnaire
 - Survey
 - Other
- Program/Agenda
- Minutes (comments, questions, issues raised and response by Client)
- Decisions reached, actions agreed upon (schedules, responsibilities)