

## **V.1 Background**

All sub-loans to be financed under the EFIL III should be subjected by PFIs to an environmental review process incorporating the procedures described in this section. The PFIs should use these procedures in reviewing and appraising sub-borrowers/sub-projects, and to inform Beneficiary Enterprises of environmental requirements for sub-loan appraisal, so that sub-projects can be implemented in an environmentally sound manner. These procedures and requirements incorporate the Republic of Turkey's regulatory requirements for Environmental Review (Regulation on Assessment of Environmental Impact (ER) published in Official Gazette No:24777 and dated June 6, 2002, as supplemented by Article 10 of Environmental Act No:2872 dated August 9th, 1983).

The procedures essentially consist of Environmental Screening, Environmental Impact Assessment, and Environmental Mitigation where necessary. The Environmental Screening will be carried out by the PFIs at an early stage in their sub-loan review procedures to determine the appropriate environmental risk category for the sub-borrowers/sub-projects, and may require the contracting of external expertise. Following screening, an Environmental Impact Assessment (EIA) in line with the environmental classification of the sub-borrower/sub-project will be recommended. The sub-borrowers will be responsible for carrying out any environmental analysis and for confirming that the proposed sub-projects comply with national environmental guidelines, and for obtaining the necessary clearance from the appropriate licensing authorities. Once the analysis is performed and recommendations incorporated into the sub-project, the PFI will appraise the proposed sub-loan package which would include, where appropriate, an environmental mitigation plan. The implementation of the mitigation plan will be monitored by the PFI. The overall review process will be monitored by the Project Implementation Unit (PIU). The environmental screening process and responsibilities of key parties are described in detail below.

## **V.2 Environmental Screening Categories**

Environmental Screening is the first step in the environmental due diligence process of reviewing the sub-loan application to determine the environment risk category of the sub-borrower/sub-project and identifying the type of EIA that will be required. Each sub-loan application package submitted by the PFIs to the PIU should include an environmental screening form (Appendix VI.C), of which there are two parts, the first half to be completed by the sub-borrower and the second to be completed by the PFI. The environmental screening form will summarize the nature of the sub-borrower/sub-project and the screening category. If an EIA is required, a description of the relevant aspects addressed by the assessment including an indicative timetable for the preparation of the assessment (integrated into the preparation of the sub-project) should be provided. The form will also provide a section to indicate an estimated cost of the environment analysis.

Sub-borrower/sub-project environment screening categories (I, II ,III & IV) are defined as follows, with examples of sub-borrowers/sub-projects likely to be included under each category listed in Appendix VI.B.

*Category I (low risk):* These would include sub-borrowers/sub-projects whose environmental impacts are expected to be negligible, for which no EIA would be required. These can generally be described as sub-borrowers/sub-projects which do not belong to categories II, III and IV.

*Category II (intermediate risk):* These would include sub-borrowers/sub-projects whose environmental impact is certified as negligible by report given by the LEA. This category also includes sub-borrowers/sub-projects which may have intermediate levels of regular and accidental emissions. A pre-EIA (simpler form EIA) would be recommended in these cases, which may simply require specifying well-defined mitigating measures and adopting accepted operating practices.

*Category III (high risk):* These would include sub-borrowers/sub-projects which may have highly significant, negative and/or long-term environmental impacts, the magnitude of which are difficult to determine at the sub-project identification stage. A full EIA (in-depth EIA) would be prepared by the sub-borrower in parallel with the techno-economic feasibility study of the sub-project. The costs of the mitigation measures would be included in the EIA and incorporated in the feasibility study.

*Category IV:* Comprises sub-borrowers/sub-projects which would include the production and/or use of materials (listed in the related section of Appendix VI.B) which will not be financed by the IBRD.

### **V.3 Environmental Impact Assessment (EIA)**

An EIA is a process conducted by the sub-borrower to identify, predict, evaluate, and mitigate the environmental impacts and risks which may arise from the proposed sub-project. The purpose of the EIA is to recognize environmental impacts/consequences early in the sub-project preparation process, so that they can be incorporated into the sub-project design. EIAs identify ways of improving sub-projects environmentally by minimizing, mitigating or compensating for adverse impacts. An EIA would also describe the steps that were taken for public consultation.

A pre-EIA would be required for Category II type sub-borrowers/sub-projects where the potential for negative impacts are localized, easily identified and the required mitigating actions are well-known and easily prescribed.

A full EIA would be required for Category III type sub-borrowers/sub-projects in which there is potentially long term or irreversible impacts of unknown extent. They would include regular emissions as well as the potential risk of accidental releases. Each EIA will have to be publicly disclosed on the World Bank's external Turkey country office website at [www.worldbank.org.tr](http://www.worldbank.org.tr) once a sub-project is approved by TSKB and the Bank. In addition, the in-country disclosure within Turkey will also be done through the internet site of TSKB and local newspaper advertisements.

The scope of the EIA will vary widely depending on the nature and location of a sub-borrower/sub-project; thus, it is difficult to give clear guidance on the length of time required for an EIA or the associated costs. The preparation and financing of the EIA, including the role of public participation, is the responsibility of the sub-borrower and normally closely linked to the feasibility study of the proposed activities.

### **V.4 Environmental Review Process (Role of PIU, PFIs and IBRD)**

All sub-borrowers/sub-projects will follow the environmental review process presented schematically below.

STEP 1: The sub-borrower prepares an initial sub-project concept. Following informal discussion with the PFI, in which the PFI alerts the sub-borrower of its environmental

assessment requirements, the sub-borrower prepares Part A of the environmental screening form (Annex B) and includes this with the initial sub-project concept. At this time, it is the responsibility of the sub-borrower to initiate discussions with the LEA in order to fulfill any local and national environmental review requirements (such as investment incentive certificate and/or other official approval/permits). It will be the responsibility of the sub-borrower to obtain the appropriate permits and licenses as required by national law in order to facilitate the clearance process with the local LEA. These requirements are considered separate, but parallel, to those presented here and satisfying them is the responsibility of the sub-borrower.

STEP 2: The PFI screens the sub-project and informs the sub-borrower of the EIA category prior to appraisal and subsequent follow-up requirements for sub-loan processing.

STEP 3: The sub-borrower, or its consultants, submits the environmental analysis (if applicable). The sub-borrower will obtain a positive EIA report, given by the relevant LEA, in conformity with applicable Environmental Regulations for the activities listed in Category II and III of Appendix VI.B.

STEP 4: The PFI reviews the environmental analysis that has been submitted and reports its findings to the sub-borrower. The PFI provides its clearance once the analysis is judged to be satisfactory.

STEP 5: The sub-borrower incorporates the recommendations provided in the analysis into the sub-project design and implementation plan, including associated estimated costs.

STEP 6: The sub-borrower finalizes the sub-loan application package, including the relevant environmental documentation, and submits it to the PFI for its appraisal.

STEP 7: The sub-loan becomes effective upon verification of the LEA approval and clearance, which can be obtained at any step in the sub-project preparation cycle.

STEP 8: The sub-borrower submits the clearance letter of the LEA to the PFI.

STEP 9: The PFI monitors the implementation of the EIA mitigation plan and informs the PIU.

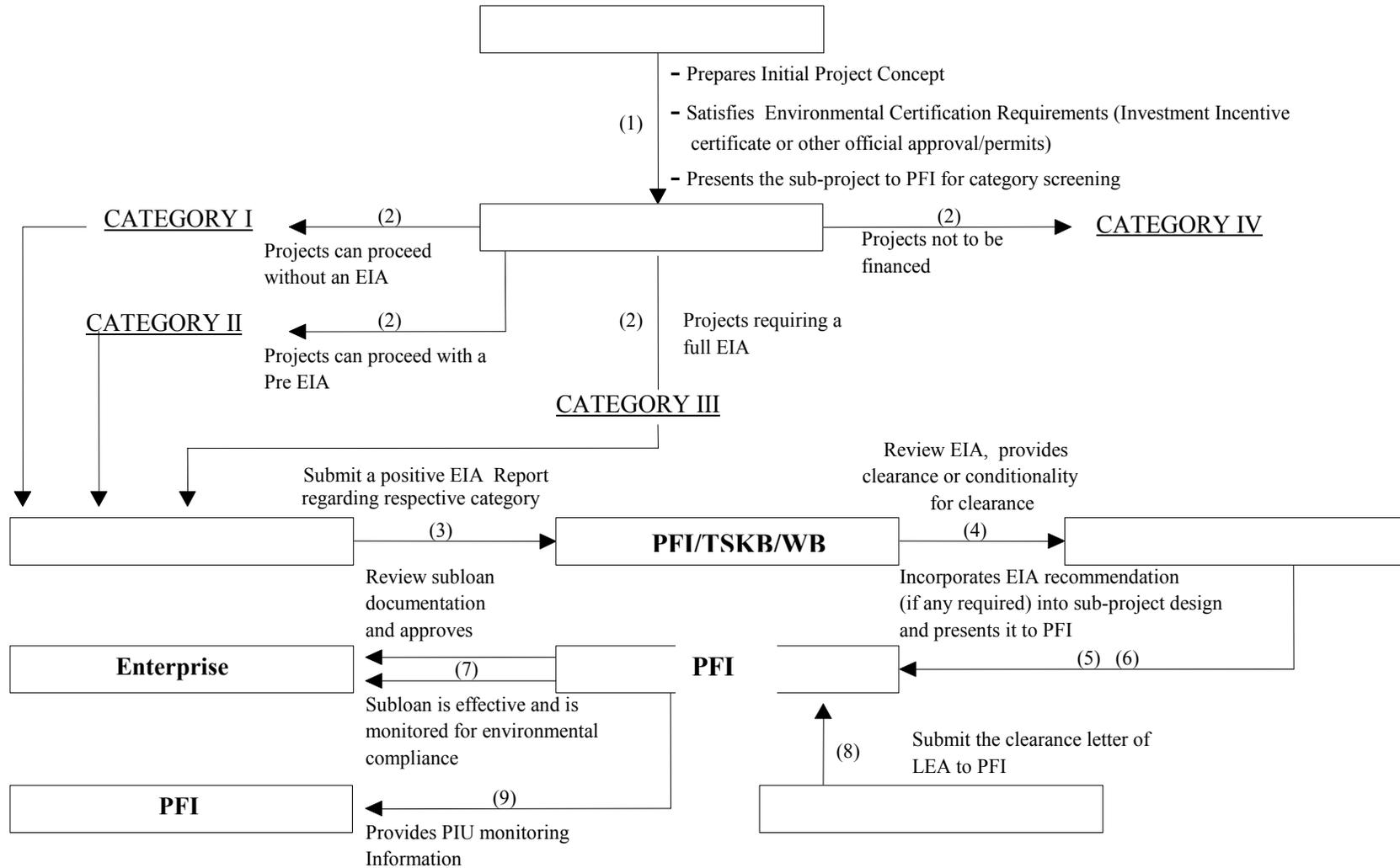
**Prior and Post-Review – IBRD/PIU.** Environmental evaluations and review procedures will be subject to ad-hoc review by the PIU and IBRD supervision missions. IBRD World Bank will perform prior review and clearance of all sub-projects falling in Category III and post review. The review of evaluations will ensure that: the work was of satisfactory quality, community participation took place when appropriate, the appropriate recommendations were made, all documentation was properly filed and recorded, and that the conditions of approval by the local LEA were met. During EFIL III implementation, IBRD missions will supervise the overall screening process and implementation of environmental recommendations for selected sub-borrowers/sub-projects. The IBRD supervision team will also review, ad-hoc, environmental documentation. Therefore, all this documentation should be kept on file with the PFIs and forwarded to the PIU as needed.

11. **Environmental Documentation.** The PFIs need to include the following environmental documentation in sub-loan application packages they submit to the PIU:

#### Table V.1

<b>Environmental Category</b>	<b>Environmental Documentation to be included in Sub-loan Application Package</b>
Category I	Environmental Screening Form (Appendix V.B) (Investment Incentive Certificate and/or other official approval/permits if applicable)
Category II	Environmental Screening Form (Appendix V.B) Positive Pre-EIA statement from related LEA Pre-EIA report
Category III	Environmental Screening Form (Appendix V.B) Positive Full EIA statement from related LEA Full EIA report Schedule for Implementation of EIA recommendations

## V.5 Environmental Review Process Flow (\*)



(\*) This process as depicted in the chart above is required for manufacturer, manufacturer-exporter

## Appendix V.A Responsibilities of Key Participants

Participant	Activity	Supporting Documentation
Beneficiary Enterprise (sub-borrower)	<ul style="list-style-type: none"> <li>• Submission of sub-project concept to PFI</li> <li>• Arrangement and financing of EIA</li> <li>• Obtain required permits/licenses</li> <li>• Obtain clearance from related LEA</li> <li>• Implementing and financing of EIA</li> <li>• Maintain files documenting EIA process and selection of expert</li> </ul>	<ul style="list-style-type: none"> <li>• Part A of environmental screening form</li> <li>• Copies of permits, licenses</li> <li>• Clearance statement</li> <li>• Periodic reports and sub-project completion report</li> <li>• Files</li> </ul>
Participating Financial Institutions (PFIs)	<ul style="list-style-type: none"> <li>• Explain environmental screening of sub-borrowers/sub-projects</li> <li>• Review of sub-loan application package for required environmental documentation</li> <li>• Maintain complete files of environmental documentation for review by the PIU and IBRD</li> <li>• Monitoring compliance with mitigation plans</li> </ul>	<ul style="list-style-type: none"> <li>• Include environmental information with sub-loan application</li> <li>• Environmental screening form</li> <li>• Documentation as in Table V.1</li> <li>• Include environmental documentation in normal PFI records</li> <li>• Periodic monitoring reports</li> </ul>
Project Implementation Unit (PIU)	<ul style="list-style-type: none"> <li>• Distribution of Operations Manual to PFIs</li> <li>• Verification that PFIs have followed EIA procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Include environmental category and EIA status in normal periodic reporting activities</li> </ul>
Environmental Official Institutions (National and Local EAs)	<ul style="list-style-type: none"> <li>• Review and clear sub-borrowers/sub-projects according to national/local regulatory requirements</li> <li>• Issue permits and license requirement information</li> </ul>	<ul style="list-style-type: none"> <li>• Provide sub-borrower with clearance letter</li> <li>• Issuance of appropriate documentation</li> </ul>
IBRD	<ul style="list-style-type: none"> <li>• Carry out prior and post reviews</li> <li>• Identification of problems/ issues and proposal of solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Appendix V.B</li> </ul>

## **Appendix V.B: Examples of Sub-borrower/sub-project Categories<sup>1</sup>**

The following examples of sub-borrowers/sub-projects and their suggested categorization are indicative only and will need to be reviewed throughout EFIL III implementation to assess their appropriateness concerning the types of sub-projects which are actually submitted to the PFIs. As it would be impossible for this list to be exhaustive, sub-borrowers/sub-projects which can not be identified as belonging to one of the categories below should be brought to the attention of the PIU to transmit to the IBRD for further guidance.

### **Category I Sub-borrowers/sub-projects (Low Risk)**

This category includes the sub-borrowers/sub-projects which have no environmental impacts and do not belong to categories II, III and IV. Some examples of this category are:

1. Manufacture of wood products/small scale furniture manufacturing, carving, crafting, etc.,
2. Small scale stone crafting,
3. Small scale meal fabrication and upgrading,
4. Small scale instruments and hardware manufacturing,
5. Software development and manufacturing,
6. Establishment and equipping of art, design and telecommunications studios,
7. Purchase of computer equipment, and
8. Purchase of transportation equipment.

### **Category II Sub-borrowers/sub-projects (Intermediate Risk - Requiring pre-EIA according to the ER)**

1. Facilities designed for production of chemicals, production of lubricants from oil or processing of intermediary products, and recovery of waste oil;
2. Facilities where pesticides and pharmaceutical products, paints and waxes, elastomer based products and peroxides are produced or where elastomer based products are processed;
3. Soap or detergent production facilities;
4. Production or repairing of metal materials for railways or aircrafts;
5. Iron & steel or nonferrous metal facilities;
6. Textile;
7. Engines and motor vehicles production or assembly facilities;
8. Glass or fiberglass production facilities
9. Hide processing facilities (excluding facilities obtaining final products from processed hide)

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<sup>1</sup> The list of sub-projects in this section is indicative, and will exclude all those sub-projects/sub-borrowers that are not export oriented; e.g. sub-projects for tourism, sports & education facilities; as well as sub-projects/sub-borrowers on the Bank's negative list, for the purpose of this project.

10. All kinds of paper, cardboard or pasteboard production facilities;
11. Tire coating facilities with a capacity of 100,000 units/per year and over;
12. Tire production facilities (inner tubes and tire covers for motor vehicles and airplanes, columns, tire cord, etc.);
13. Projects related to animal and plant products;
14. Mining Projects.
  - a) facilities with a capacity of 5,000 m<sup>3</sup>/year and above for the extraction and processing of marble blocks or pieces, decorative stones, and facilities with an annual capacity of 100,000 m<sup>2</sup> and above for cutting, processing and polishing marble;
  - b) extraction of a raw material, or any kind of processing thereof, in accordance with the Regulation for Quarries (25.000 m<sup>3</sup>/year and above)
  - c) extraction of 50,000 tons/year and above of salt, and/or all sorts of salt processing facilities
15. Clinker grinding facilities or facilities producing ready-mixed concrete or pre-stressed concrete components
16. Facilities producing brick or roof tiles (workshop-type of facilities excluded)
17. Facilities producing ceramic or porcelain (workshop-type of facilities excluded)
18. Lime factories

**Category III Sub-borrowers/sub-projects (High Risk -  
Requiring full EIA According to the ER)**

1. Facilities for melting iron and steel;
2. Facilities for melting non-ferrous metals;
3. Chemical plants at industrial scale;
4. Shipyards for the purpose of building, maintaining and repairing of cargo and passenger ships;
5. Meat Processing facilities;
6. Forest products and cellulose plants;
7. Cement plants or clinker production facilities
8. Accumulator and battery production facilities
9. Sugar factories

**Category IV Sub-borrowers/sub-projects ineligible for IBRD financing/IBRD Negative List**

1. Trade in wildlife and wildlife products prohibited under the CITES convention,
2. Release of genetically altered organisms into the natural environment,
3. Manufacturing, distribution and sale of banned pesticides and herbicides,
4. Drift seine netting in the marine environment,
5. Radioactive products,
6. Hazardous waste storage, treatment and disposal,

7. Manufacturing of equipment and appliances containing CFCs, halons and other substances regulated under the Montreal Protocol,
8. Manufacturing of electrical equipment containing polychlorinated biphenyls (PCBs) in excess of 0,005 % by weight,
9. Manufacturing of asbestos-containing products,
10. Nuclear reactors and parts thereof,
11. Tobacco, unmanufactured or manufactured,
12. Tobacco processing machinery, and
13. Manufacturing of asbestos containing products.