

Environmental Review Procedures

1. Background

The Environmental Category of the project is FI, since the project will be executed by intermediary banks. Due to the planned scope of the project the only safeguard policy triggered was OP 4.01 (environmental assessment) and since the specific investments under the project will not be identified until project implementation, an environmental safeguards review framework is prepared under the scope of the Operational Manual to guide the FI bank regarding environmental review procedures.

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 Ministry of Environment and Urbanization (MoEU) Environmental Assessment Regulation (Official Gazette No: 26939, dated 17 July 2008) and World Bank environmental assessment (OP 4.01) requirements.

The environmental impact assessment process is carried out to determine the possible positive or negative impacts of proposed sub-projects; to evaluate the precautions to be taken in order to prevent or minimize negative impacts which may damage the environment (for example by construction and mitigation measures); and for supervision and inspection of sub-project implementation.

The sub-loans to be financed under the SME Energy Efficiency Loan should be subjected by ZiraatBank to an environmental review process incorporating procedures described in this section. ZiraatBank will be responsible for successful implementation of the project. The World Bank loan proceeds will be utilized by ZiraatBank to on-lend to the SMEs or sub-borrowers. As a first screening step, ZiraatBank should identify and reject the following types of sub-project proposals, as **NOT** eligible for financing under this project:

- a) if it is a Category A¹ project
- b) if the sub-project is in the Annex B list of this Operational Manual
- c) if the sub-project 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);
- d) if the sub-project triggers the World Bank policy on Projects on International Waterways (OP/BP 7.50)² 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 7.50³; or
- e) if the sub-project supports any investment requiring land acquisition or associated involuntary resettlement, as defined by the World Bank's policy on Involuntary Resettlement (OP/BP 4.12).

¹ The World Bank categorization is described in Section VI.2.

² International water body is defined as: (i) any river, canal, lake, or similar body of water that forms a boundary between, or any river or body of surface water that flows through, two or more states; (ii) any tributary or other body of surface water that is a component of any such waterway; and (iii) any bay, gulf, strait, or channel bounded by two or more states or, if within one state, recognized as a necessary channel of communication between the open sea and other states—and any river flowing into such waters.

³ Sub-projects may in some way impact on water usage (e.g., more efficient pumps which enable abstraction of more water; technology changes in small industries which affect wastewater effluents, etc.). It is FI's responsibility to determine whether or not an international water body is involved in these type of projects and to decline any project when the international water body is of concern. In addition, FI's will need to screen for potential transboundary impacts and decline financing for any sub-projects where this would be an issue.

It should be noted that ZiraatBank will be approached for financing of sub-projects after the sub-project sponsors have obtained all necessary environmental permits and environmental clearance from Turkish Government. For sub-projects, which fall under Annex I of the Turkish EIA Regulation, there should be a “EIA Positive Decision” from MoEU indicating that the EIA for the project has been approved. For sub-projects falling under Annex II of the Turkish law, an “EIA Not Necessary” decision from the relevant Provincial Directorate of MoEU should be obtained. If the sub-project is a “No Annex” project no Turkish clearance documentation will be needed. Details on Turkish EIA system is given in Section VI.2.

After ascertaining that all Turkish requirements have been met and clearances obtained, ZiraatBank should screen the project according to World Bank categorization (Category A, B or C) according to OP 4.01 (details on World Bank categorization is given in Section VI.2). Upon that screening, if the sub-project is categorized as a *Category A* according to WB criteria then ZiraatBank should state to the sub-borrower that it is not eligible for financing. Only projects falling within Category B or Category C may be considered for financing under this project.

For projects which are categorized as *Category B*, OP 4.01 requires preparation of a partial EIA or an EMP, depending on the nature of the project. One of the following three situations will apply in the case of sub-projects classified as Category B:

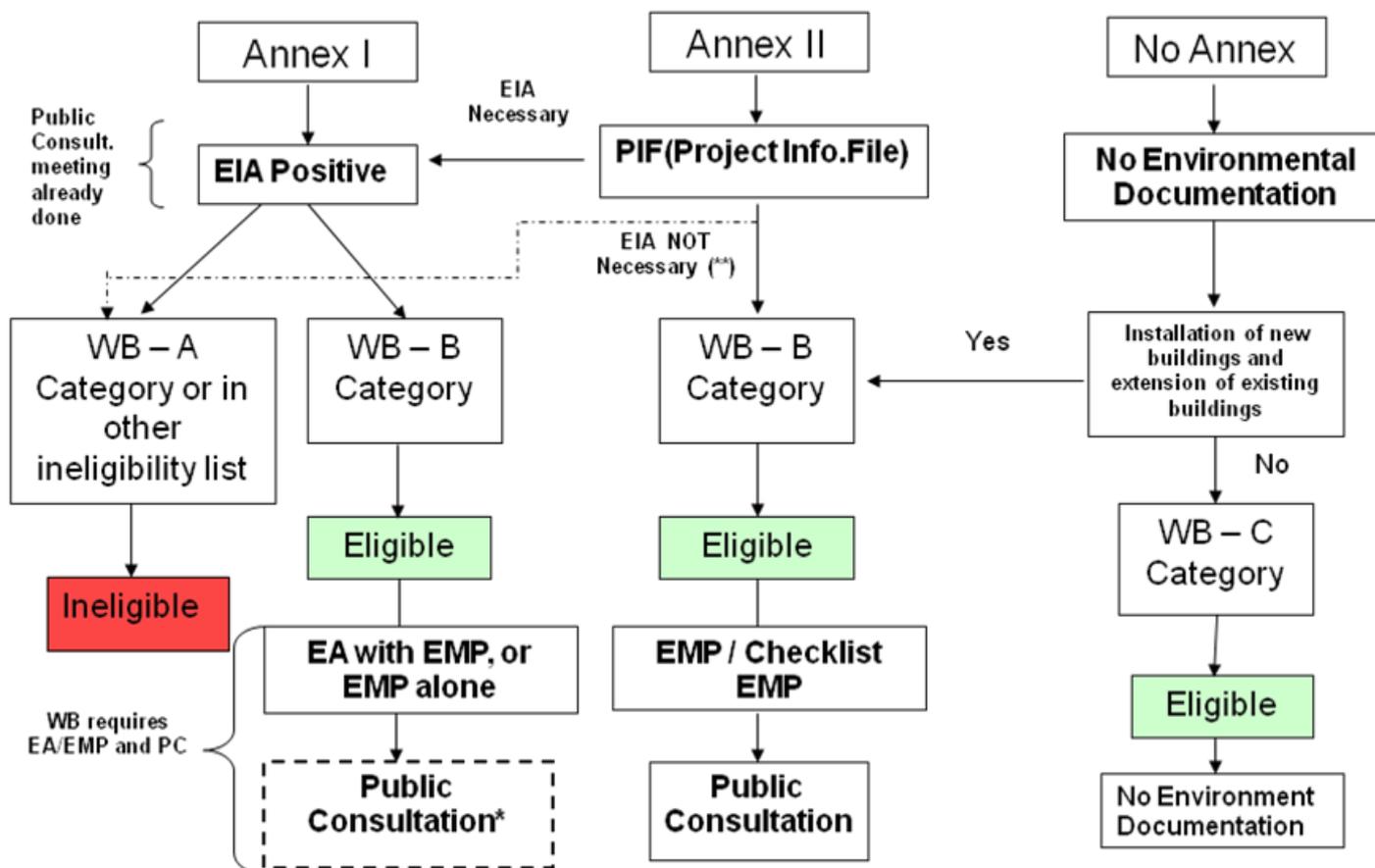
- (i) If the Category B sub-project falls under Annex I according to Turkish EIA Regulation then there should be a Turkish EIA report sent to MoEU for clearance. It is expected that such projects would require a partial EA under OP 4.01. ZiraatBank should check the existing EIA and determine whether it meets World Bank requirements in accordance with OP 4.01, or whether there are gaps which need to be filled. It can be noted here that the most likely gaps to occur would be the need for an explicit Environmental Management Plan which clearly and concretely summarizes all the required mitigation and monitoring measures, and the need for additional public consultation on the EIA document. ZiraatBank will advise the sub-borrower on the nature of these gaps if any, and what additional actions would be required to comply with World Bank requirements. .
- (ii) If the Category B sub-project falls under Annex II according to Turkish EIA Regulation, then instead of an EIA there should be a Project Information File (PIF) sent to relevant provincial directorate MoEU for clearance. It is expected that such projects would require an EMP under OP 4.01. The PIF can be reviewed by ZiraatBank and additional requirements of World Bank will be identified. Since EMP and public consultation are not required by the MoEU for Turkish Annex II projects, it is expected that these will be identified as gaps which need to be filled by the sub-project sponsor.
- (iii) If the Category B sub-project does not fall under either Annex I or Annex 2 (i.e, is a “ No Annex” project) according to Turkish EIA Regulation, then most probably there will not be any existing environmental documentation. Again, it will be necessary for the sub-project sponsor to prepare a simple EMP and arrange for a public consultation on it in order to meet the World Bank requirements.

If the sub-project is classified as *Category C*, it does not require any environmental documentation under the World Bank’s OP 4.01. It is expected that such projects will also be “No Annex” projects according to Turkish system, so no environmental reports will have been prepared (see the figure attached).

Sub-Project Environmental Review - Process Flow

Note: The sub-project has all permits/licenses/emission and discharge certificates

Sub-project classification according to Turkish EIA Regulation



*: If PC meetings and disclosure is properly conducted before receiving the EIA Positive decision this additional step is not necessary.

** : For the Annex II Projects having EIA NOT Necessary Decision, WB OP.4.01 should still be checked for categorization of A or B.

It is anticipated that there will be no large scale significant and/or irreversible impacts from the project. Most of the sub-loans to be financed are expected to be rehabilitation/renovation activities or small scale construction works. The screening to assign a World Bank EIA Category (A, B or C) will focus on the proposed new investment rather than on the existing facility/operation. However, through use of the Screening Forms ZiraatBank should ascertain that the existing facility/operation is in compliance with Turkish environmental regulations and has all required licenses and permits.

The most important issue will be the proper screening of ZiraatBank according to World Bank screening criteria. During the screening process ZiraatBank can request advice from the World Bank (see Section VI.5)

Since projects involving any type of land acquisition are not eligible for financing, ZiraatBank should be ensured that all civil construction works planned will be executed on existing land plots which are already in the possession of the respective factory/production buildings and/or industrial zones, and assessment of the investments will confirm that the locations are not occupied or being used for economic activities by any person.

For cultural property issues, local municipality is responsible for application of Turkish laws and regulations, including those relating to cultural heritage. Consideration of such concerns is provided in the works contracts that will include requirements that the contractor is obliged to look for chance finds and immediately stop the construction work at the contested location and alert responsible authorities in case of chance finds. Since the national regulations on the conservation of cultural properties are strict, it is not anticipated that any additional requirements would arise from the World Bank safeguard policies.

Once environmental requirements are established and recommendations incorporated into the sub-project, ZiraatBank will appraise the proposed sub-loan package. Adherence to any environmental obligations established by the regulatory authorities and the World Bank safeguard requirements will be monitored by ZiraatBank.

2. Environmental Assessment Procedures and Screening Categories

Turkish EIA Regulation Requirements

The investment projects that would have a potential to create significant adverse environmental impacts are subject to the preparation of EIA Reports and Project Information File (PIF) according to the Environmental Impact Assessment Regulation of the MoEU.

PIFs are applied to the projects which are listed in **Annex II** of the EIA Regulation and submitted to the Provincial Environmental Directorates which are located in all 81 provinces of Turkey. A decision is made by the Provincial Environmental Directorates either “EIA Necessary” or “EIA Not Necessary”. If the final decision is “EIA Necessary” the full EIA procedure which is described in the following paragraph is applied.

Full EIAs are applied to the projects which are listed in **Annex I** of the EIA Regulation and submitted to the MoEU. After scoping and evaluation phases, which are described below, a decision is made by MoEU either “EIA Positive” or “EIA Negative”.

The EIA process starts with submitting a brief report (EIA Application File), summarizing the characteristics of the project and the impact area, and the potential environmental impacts and mitigation

measures to the MoEU. Then MoEU's General Directorate of EIA, Permitting and Inspection forms a **Scoping and Assessment/Reviewing Committee** (the institutions attending to Scoping and Reviewing Committee are the same) from related governmental and non-governmental agencies, which also includes the project owner and the consultant that would prepare the EIA report. With the formation of this committee the scoping phase starts. After submitting the EIA Application File to MoEU, the Scoping and Assessment Committee consisting of relevant component authorities are established and the date of the Public Participation Meeting and the Scoping Meeting is determined. The **Public Participation Meeting** is conducted with the necessary arrangements (detailed in Section 3 below) and after that the **Scoping Meeting** is held and a "**Special Format**" is given. While giving the Special Format any issues appeared during the public participation meeting is integrated. The EIA report is prepared according to that format and Draft Final EIA is submitted to MoEU. Then the Draft Final Report is finalized based on the comments of the Review and Assessment Committee. The final EIA Report is made public available in the related Provincial Environmental Directorate for 10 work-days. Unless a significant comment is obtained on the Report an "EIA Positive" decision is given by MoEU. Moreover, the final EIA Report is made available to the public on MoEU's official web page.

World Bank Environmental Screening Procedures (from OP 4.01)

The Bank undertakes environmental screening of each proposed project which is proposed for World Bank financing, to determine the appropriate extent and type of environmental assessment required. The Bank classifies the proposed project into one of the following categories, depending on the type, location, sensitivity, and scale of the project and the nature and magnitude of its potential environmental impacts.

(a) **Category A:** A proposed project is classified as Category A if it is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. Environmental assessment for a Category A project examines the project's potential negative and positive environmental impacts, compares them with those of feasible alternatives (including the "without project" situation), and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. For a Category A project, the borrower is responsible for preparing a report (generally a full EIA).

(b) **Category B:** A proposed project is classified as Category B if its potential adverse environmental impacts on human populations or environmentally important areas--including wetlands, forests, grasslands, and other natural habitats--are less adverse than those of Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigation measures can be designed more readily than for Category A projects. The scope of environmental assessment for a Category B project may vary from project to project, but it is narrower than that of Category A assessment. Like Category A, it examines the project's potential negative and positive environmental impacts and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance generally within an EMP, pre-EIA, checklist, etc. For some Category B projects, an Environmental Management Plan or other instrument (e.g. environmental audit) may be sufficient.

(c) **Category C:** A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental impacts. Beyond screening, no further environmental assessment action is required for a Category C project.

It should be noted that installation of new buildings and extension of existing buildings, energy efficiency related works (replacing the machinery, insulation works, etc.) are generally treated as “No Annex” projects according to Turkish EIA system but are generally classified as Category B by the World Bank. (Only very limited renovation of buildings within the existing footprint are considered Category C). In such cases, as noted above, no environmental documentation is required under Turkish law but a simple EMP must be prepared in order to meet the requirements of OP 4.01.

Again, it is important to conduct the environmental due-diligence studies of the existing facilities which are applying to ZiraatBank for conducting energy efficiency investments to their existing buildings. According to the type and scale of the industrial facility, existence of different environmental permits should be checked by ZiraatBank. If the type of the industry has air emissions which are falling under ‘Regulation on Air Pollution Control Sourced from Industry’, then there should be a valid air emission permit, if the industry in producing any type of wastewater (domestic and/or industrial) then they are subjected to Water Pollution Control Regulation and there should be a valid discharge permit (or a sewer connection permit), if there’s a hazardous waste storage in the industry then relevant permits should be in place regarding waste storage⁴, etc. ZiraatBank should also check the situation of the applicant according to the ‘Permits and Licenses in Accordance with the Environmental Law’ and follow if the applicant is subjected to this regulation and if they’re subjected then the timing of receiving the integrated environmental e-permit should be asked/documented.

3. Public Consultation and Disclosure

Since the Category A projects will not be eligible for financing, the public consultation and disclosure policies of World Bank Category A projects will not be discussed in this document.

If the sub-project is a Category B and treated as Annex I according to Turkish EIA regulation, it means that during the EIA report preparation a public consultation meeting was conducted at the first stages of the EIA process. According to Turkish EIA regulation, the Public Participation Meeting is announced on the MoEU’s web page, local and national newspapers, brochures, announcements and public inquiries (minimum 10 days in advance of the meeting date). During the public participation meeting a brief and understandable presentation is made by the consultant to the public and opinions of the participants are obtained to be included during the EIA preparation process. Moreover, before the final EIA decision is given, the draft final version of the EIA report is made publicly available. Any comments received from the public are taken into consideration before giving a “EIA Positive” or “EIA Negative” and before finalizing the report. This procedure for public disclosure and consultation is considered to be sufficient to meet the World Bank’s requirements for Category B projects. Therefore, in this case there is no need for additional consultation or disclosure activities beyond what is required under Turkish law.

If the sub-project is a Category B and treated as Annex II according to Turkish EIA regulation and a PIF is prepared, then no public consultation will have been required under Turkish law and it will be necessary to conduct a public consultation meeting to comply with World Bank policies. Moreover, it is necessary that a document summarizing the impacts and mitigation activities that will be realized with the implementation of the sub-project (this document can be a draft EMP or an informative brochure providing the same information) should be made publicly available (on web page and as hard-copies, in local language) in advance (approximately 3-4 weeks before the public consultation meeting). Necessary announcements should also be made about the disclosure of this environmental documentation in

⁴ These are just few examples among the environmental permits defined by different regulations under the Environmental Law. It’s important that the type and scale of the services provided by the applicant is examined and all the relevant environmental permits are checked.

whatever media are appropriate to ensure effective dissemination of this information to all likely interested parties.

If the sub-project is a Category B and treated as “No Annex” according to Turkish EIA regulation, then again it will be necessary to conduct a public consultation on the draft EMP which must be prepared to comply with OP 4.01. ZiraatBank together with the sub-project proponent will decide on the appropriate form for this public consultation based on local circumstances. In some cases this will involve a public meeting while in other cases it may be decided that a procedure to make information on the project and the draft EMP available and invite comments from the public will be more appropriate and effective.

In addition, once ZiraatBank officially transmits the relevant environmental documentation to the World Bank, the WB makes the report available through its InfoShop.

For Category C there are no specific consultation/disclosure requirements.

4. Environmental Review Process (ZiraatBank and World Bank)

As discussed in Section VI.1, any sub-borrower will apply to ZiraatBank for financing after all the necessary environmental clearance is obtained from the MoEU or relevant Provincial Directorate of MoEU. Then it is the responsibility of ZiraatBank to make the World Bank screening to the projects. In order for the World Bank to fulfill its fiduciary responsibilities, for the first 5⁵ sub-project applications submitted to ZiraatBank where the sub-project falls under Annex I or II according to Turkish EIA Regulation, ZiraatBank will provide information on the sub-project to the World Bank on a “prior review” basis, together with its proposed classification of the sub-project (Category A vs. B) and the advice it proposes to give to the sub-project borrower regarding additional actions needed to fulfill World Bank requirements. This will help to ensure that any potential Category A projects are excluded. Following this “pilot” period, if World Bank and ZiraatBank agree, the World Bank will change to spot checking the screening and environmental review process on a “post review” basis. .

After screening, according to World Bank categorization ZiraatBank should review the quality environmental documentation to identify any gaps/incompliance according to World Bank safeguard policies (mainly OP 4.01). If there are any gaps, additional activities (documentation, public consultation, etc.) should be requested from the sub-borrower by ZiraatBank. This means if an EIA or PIF exist ZiraatBank should check in case all impacts and relevant mitigation measures together with the monitoring requirements are clearly explained in the document. If the EIA or PIF does not include an explicit EMP then ZiraatBank will request that additional documentation from the sub-borrower.

Regarding the monitoring issues, ZiraatBank should 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 WB supervision missions. World Bank will have the authority to review and post review all sub-projects. The review of evaluations will ensure that: screening was performed consistently and accurately, the work was of satisfactory quality, recommendations specified by the granting of the approvals were followed, all documentation was properly filed and recorded, and that the conditions of approval by the Provincial Directorate of MoEU or any other government institutions and post review were met. During SME Energy Efficiency Project implementation, WB missions will supervise the overall screening process and implementation of environmental recommendations for selected sub-borrowers/sub-projects. The WB supervision team will also review, ad-hoc, environmental documentation. Therefore, all this documentation should be kept on file with ZiraatBank and forwarded to the World Bank upon request.

⁵ It is suggested that first 2 sub-project which are proposed to be Category C and first 3 sub-projects which are proposed to be Category B are submitted to WB for prior review. FI Banks are always encouraged to consult with WB regarding the categorization of a sub-project.

Annex A: Environmental Screening Forms

The Environmental Assessment Screening Form and Environmental Due Diligence Forms (to be used for the existing facilities) are presented below respectively.

ENVIRONMENTAL ASSESSMENT SCREENING FORM			
(To be completed by PFIs)			
PFI :			
BRANCH :			
Sub-project title:			
Brief Description	Brief description of sub-project (nature of sub-project, sub-project cost, physical size [site area, production per year, etc.], existence of any property transfer, or on-going operations, plans for expansions [nature of new investment, change in type or capacity of production]or new construction, potential estimated impact on production)		
Screening Category According to MoEF Turkish Regulations	ANNEX -I	<input type="checkbox"/>	
	ANNEX-II	<input type="checkbox"/>	
	NO ANNEX	<input type="checkbox"/>	
Environmental Clearance According to Turkish Regulations	EIA POSITIVE	<input type="checkbox"/>	
	EIA NOT NECESSARY	<input type="checkbox"/>	
	NO NEED FOR OFFICIAL CLEARANCE	<input type="checkbox"/>	
Screening Category According to World Bank Safeguard Policies	INELIGIBLE IF:	CATEGORY B	CATEGORY C
	- Category A <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	- Under Annex B of this manual <input type="checkbox"/>		
	- Triggers WB policy Safety of Dams <input type="checkbox"/>		
	- Triggers WB policy Projects on International Waterways <input type="checkbox"/>		
	- Triggers WB policy (Involuntary Resettlement) <input type="checkbox"/>		
Next Steps regarding Environmental Assessment (if the sub-project is eligible)	There is an EMP <input type="checkbox"/>	There is no EMP <input type="checkbox"/>	EA Documentation is not Necessary (only for Category C projects)
	EMP is satisfactory <input type="checkbox"/>	- EMP Necessary <input type="checkbox"/>	<input type="checkbox"/>
	EMP is not satisfactory and should be revised <input type="checkbox"/>	- Environmental Checklist Necessary <input type="checkbox"/>	
Next Steps regarding Public Consultation (if the sub-project is eligible)	Public Consultation (PC) Activities and Documentation are satisfactory <input type="checkbox"/>	PC Activities and Documentation are NOT satisfactory	PC Activity is not Necessary (only for Category C projects)
	<input type="checkbox"/>	- Notification of public via public consultation meeting/publishing environmental documentation, etc. is necessary <input type="checkbox"/>	<input type="checkbox"/>
Additional Comments for Improving the EMP and PC Activities			
<u>DATE:</u>			
<u>PFI LOAN OFFICER</u>		<u>SUB-BORROWER</u>	
<u>ENVIRONMENTAL SCREENER</u>			
<u>SIGNATURES:</u>		<u>SIGNATURES:</u>	

ENVIRONMENTAL DUE DILIGENCE FORM FOR THE EXISTING FACILITIES					
(To be completed by Sub-borrower)					
Sub-borrower:					
Sub-project title:					
Location	Organized Industrial Zone	<input type="checkbox"/>			
	Industrial Parcel	<input type="checkbox"/>			
	Other (please explain):	<input type="checkbox"/>			
What is the intended use of the loan?	Investment Loan	<input type="checkbox"/>			
	Please explain briefly (changing of machinery, insulataion works, etc.):				
Other (please explain):					
Will the loan support any new line of business or type of production (different from the ongoing activities)?	NO	YES	If YES, please give a brief explanation:		
	<input type="checkbox"/>	<input type="checkbox"/>			
Valid Environmental Licenses	EIA Positive or EIA Not Necessary	YES	NO	N.A.	
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Emission Permit	YES	NO	N.A.	EXPIRED
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Wastewater Discharge	YES	NO	N.A.	EXPIRED
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Wastewater Connection	YES	NO	N.A.	EXPIRED
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Deep Sea Discharge	YES	NO	N.A.	EXPIRED
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hazardous Waste Storage (temporary)	YES	NO	N.A.	EXPIRED	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Hazardous Waste Transportation	YES	NO	N.A.	EXPIRED	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Reclamation Plan for Mining Facilities	YES	NO	N.A.	EXPIRED	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental e-Permit	YES	NO	N.A.	APPLIED	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other (please explain):					
Are there any pending environmental penalties or ongoing court cases/investigations?	YES	NO	If YES, please explain:		
	<input type="checkbox"/>	<input type="checkbox"/>			
DATE:					
SUB-BORROWER					
SIGNATURES:					

Annex B:

Category IV Sub-borrowers/sub-projects ineligible for financing under the SME II Project

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 percent by weight;
9. Manufacturing of asbestos-containing products;
10. Nuclear reactors and parts thereof;
11. Tobacco, unmanufactured or manufactured; and
12. Tobacco processing machinery.