

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Date prepared/updated: 12/06/2023

I. Basic Information

1. Basic Project Data

Country: Türkiye	Project ID: P181436	
	Additional Project ID (if any):	
Project Name: Green Export Project		
Task Team Leader: Gunhild Berg, Etkin Ozen, Rome Chavapricha		
Estimated Appraisal Date: December 6, 2023	Estimated Board Date: February 27, 2024	
Managing Unit: Finance, Competitiveness and Innovation	Instrument: Guarantee	
Sector:		
Theme		
IBRD Amount (US\$m.): IDA Amount (US\$m.): - GEF Amount (US\$m.): - PCF Amount (US\$m.): - Other financing amounts by source: EUR 1 billion commercial loan(s), covered by up to EUR 600 million IBRD guarantee		
Environmental Category: FI-2		
Is this a transferred project	Yes []	No [•]
Simplified Processing	Simple [•]	Repeater []
Is this project processed under OP 8.00 (Rapid Response to Crises and Emergencies)	Yes []	No [•]

2. Project Objectives:

The development objective is to support Turkish exporters in their green transition and to expand green exports through longer-term financing.

Key PDO indicators include the following: Annual GHG emission avoided or reduced by the exporters financed by the Project (tons/year); Ratio of green export growth of Project beneficiaries relative to export growth of their equivalent sector (Number); Ratio of the average maturity of sub-loans financed under the Project, over the average maturity of Eximbank's representative loan portfolio (Number).

3. Project Description:

The proposed financing instrument is an up to EUR 600 million or US\$ equivalent of IBRD Loan Guarantee to Eximbank to enable raising up to EUR 1 billion in aggregate in approximately 10-year commercial loan structures from the international markets. A guarantee coverage of 50 percent will be pursued, but coverage up to 60 percent will be possible to ensure successful execution, subject to market conditions at the time. The IBRD guarantee may cover multiple loans with legal agreements executed over 24 months following Board approval. Indicatively, the first loan could be committed by commercial banks and disbursed to Eximbank

in the first quarter of CY2024. Türkiye will provide a sovereign counter-guarantee to IBRD, in line with the standard requirement for IBRD guarantee projects. The proposed guarantee is IBRD's second in Türkiye, following the successful EUR 250 million Long-Term Finance Guarantee (P171448) with Eximbank, approved by the Board in 2020, which successfully mobilized EUR 500 million in commercial loans, and is in the final stage of implementation. It is also the World Bank's first loan guarantee aimed at mobilizing funding for greening exports, with potential for replication in other countries.

The Project is proposed to have one component that will utilize the commercial financing raised by Eximbank with the support of the IBRD guarantee to directly extend sub-loans to eligible exporters exclusively for greening purposes. Eligible exporters will include export-oriented SMEs (EOSMEs) and export-oriented MCEs (EOMCEs) that are adapting to climate transition risks, arising from CBAM, the EU Green Deal, and others, by greening their operations or expanding green exports. The entire loan proceeds to be raised from the market (less any fees related to the IBRD guarantee) will be used for exporters' green investments. Adaptation finance activities will also be eligible. Supporting these exporters will help them maintain and expand their export competitiveness, particularly with regard to exports to the EU, which will be a key target export market for beneficiary exporters. At least 60 percent of the loan proceeds raised from the market with the help of the IBRD Loan Guarantee will be lent to exporters affected by CBAM Phase 1 and 2. At least 25 percent will be used for sub-loans to EOSMEs (note that the majority of CBAM affected firms are EOMCEs) and at least 15 percent will be dedicated for lending for women-inclusive firms¹.

Eximbank has been identified as the most conducive channel to achieve the objectives of the Project for the following reasons. Eximbank has a specific mandate to help increase Turkish exports as the sole export credit agency of Türkiye. To ensure this, Eximbank only provides loans against actual exports (verified through custom declaration forms).

Given that Eximbank is considered the best placed institutions to help achieve the objectives of the Project, it is proposed that Eximbank will lend directly to beneficiary exporters. In addition to the rationale provided above, direct lending will also ensure that the entire maturity advantage from using the IBRD Guarantee is transferred to exporters. On-lending through other financial institutions would require more upfront time, meaning that the maturity of sub-loans would end up being shorter than possible through direct lending. In addition, given the significant E&S requirements arising from the chosen focus sectors, it is unlikely that private financial institutions would be able to meet WB requirements within a short period of time, while Eximbank has built this capacity over the past years.

Additional criteria for selecting Eximbank included the bank's financial soundness, performance of its credit portfolio, and its good performance as one of the Borrowers in the closed EFIL I (P065188), EFIL IV (P096858) credit line projects, Long Term Export Finance Project

¹ Women-inclusive exporter is defined as: (i) owned by women (i.e., with at least one female shareholder with a properly documented representative and managing powers); or (ii) managed by women (i.e., with at least one female C-level manager or with at least 25 percent female representation in mid-level management); or (iii) employing a ratio of women that is higher than the average ratio observed in the respective sector; or (iv) has increased the share of women employment by at least 5 percent in the previous year.

(P156252), and the ongoing Long Term Export Finance Guarantee (P171448) financed by the World Bank with satisfactory E&S performance.

The project will apply OP4.03 Performance Standards for Private Sector Activity with a rationale that the guarantee will support an activity involving a financial intermediary, which will finance the subprojects to be implemented by private entities.

4. For Category FI projects types of activities or sectors likely to be supported by the FI with Bank financing or other financial support, and rationale for classification as Category FI-1, FI-2, or FI-3:

The project has been categorized as FI-2 according to World Bank Performance Standards (IFC’s Policy on Environmental and Social Sustainability 2012). The Turkiye Green Export Guarantee project will provide long term financing support to export businesses in their green transition and to expand their green exports offering. Eximbank’s pipelines includes beneficiary exporters who will use the financing to upgrade machinery, equipment, and buildings with more energy-and water-efficient solutions, and potentially producing hot water, steam and electricity from solar sources to become greener, among others, with the aim to reduce direct and indirect GHG emissions resulting from their operations. The potential E&S risks and impacts associated with these business activities are considered mostly limited, site-specific and reversible; the overall portfolio risk is thus considered medium. The applicable requirements for managing E&S risks of the Project are the Exclusion List, the national E&S Laws of Turkiye and the World Bank Performance Standards ar per OP4.03 (Performance Standards) including WBG EHS Guidelines.

6. Environmental and Social Safeguards Specialists on the Team:

Funke Asaolu (Senior Environmental Specialist)
 Jelena Lukic (Senior Social Development Specialist)

6. Performance Standards Applicable	Yes	No
PS 1: Assessment and Management of Environmental and Social Risks and Impacts	X	
PS 2: Labor and Working Conditions	X	
PS 3: Resource Efficiency and Pollution Prevention	X	
PS 4: Community Health, Safety, and Security	X	
PS 5: Land Acquisition and Involuntary Resettlement		X
PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources		X
PS 7: Indigenous Peoples		X
PS 8: Cultural Heritage		X

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe key environmental and social risks and impacts likely to be associated with the proposed project, if Category C, or the Bank-supported portfolio, if Category FI:

The key potential environmental and social risks and impacts are highly dependent on the sector and sub-sector specifications.

The potential export sectors to be included in the project scope are exporters affected by CBAM based on the EU legislation. They are anticipated to be but not limited to cement, iron and steel, aluminum, fertilizers, electricity and hydrogen, electrical equipment manufacturing, rubber and plastic products and construction which represents the CBAM Phase 1 and 2 exporters definition. The majority of the portfolio will be composed of equipment upgrade to the exporters and renewable energy production for self-consumption. The use of proceeds will be to eligible firms that are export-oriented SMEs (EOSMEs) and export-oriented MCEs (EOMCEs) that are adapting to climate transition risks, greening their operations or expanding green exports, and compliant with additional criteria detailed in the POM. The environmental risks and impacts associated with such sectors include water use and wastewater management, hazardous materials management, energy and resource efficiency, noise and air emissions, waste management and greenhouse gas emissions. Anticipated occupational health and safety (OHS) and labor risks include exposure to dust, noise, chemicals, fall-related hazards, handling of powered industrial trucks, handling of machinery, heavy lifting, electrical hazards, and lack of awareness on the use of personal protective equipment and following adequate OHS procedures, and assurance of fair terms of employment and working conditions. Such impacts will be assessed, addressed and mitigated within the scope of Eximbank's existing ESMS and the associated environmental and social impacts assessment studies, after alignment with WB PS requirements. Furthermore, environmental and social risks such as handling and storage of hazardous materials, water and wastewater management, solid waste management, noise and air pollution management are relevant in these sectors, therefore the projects to be financed may have impacts on communities such as increased traffic, emergency situations, and hazardous materials.

Proposed sub-projects that will require land acquisition and/or involve involuntary resettlement and have significant impacts on the sensitive areas (e.g., nationally and internationally protected areas, cultural values etc.) will not be considered eligible for financing. Sub-projects involving child and forced labor will also not be considered eligible for financing. Eximbank will not finance sub-projects that have recently acquired land involuntarily in anticipation of use for the project to be funded by Eximbank. All these activities will be included in the Exclusion List for the project in addition to the existing Eximbank's Exclusion List which is part of their ESMS.

There are no groups of people or communities that are identified as Indigenous Peoples in Turkiye as per PS7 definition. Since the project will support existing EOSMEs and EOMCEs which operate in existing facilities and locations, no impacts/risks on cultural heritage are anticipated. Any potential sub-projects that may have impact on sensitive protected areas will not be eligible for financing.

Eximbank employs 784 employees (direct workers, out of which 35 percent are female) in the HQ and branches. The Eximbank's Human Resources (HR) Policy promotes the principle of equal opportunity and attracting of talented and qualified employees. Eximbank also has a Training Policy. The human resources policy is available to all employees on the intranet and it describes terms of employment, labor and working conditions. The HR policy and procedures are based on

Turkish national labor code and meet the requirements of PS2 in terms and conditions of employment, non-discrimination, freedom of association, retrenchment, OHS and prohibition of child and forced labor. There is an internal grievance mechanism available to employees to raise workplace concerns. Eximbank has an emergency preparedness plan and fire safety plan to manage emergency and fire safety risks in its banking facilities. Eximbank has obtained required national permits from regulatory authorities for all of their buildings. There is designated staff responsible for life and fire safety, while some of the life and fire safety facilities are monitored by the bank's personnel, the majority of the systems are being regularly monitored by third party service providers. Emergency preparedness and response plans are prepared for the buildings of Eximbank and annual fire and emergency drills are conducted. Eximbank has a good capacity to manage life and fire safety issues related to its current operations in accordance with local laws in Türkiye. Under the currently active Long-Term Export Finance Guarantee Project (P171448), a beneficiary exporter reported a case of a fatality in 2021. In response, Eximbank prepared a Root Cause Analysis report and implemented a Corrective Action Plan.

At this stage, workers' retrenchment in the beneficiary firms is not expected as a consequence of new technologies adoption. The OHS risks associated with the use of new equipment, such as training of workers to properly use it, will be addressed through actions in ESAP for sub-borrowers. Procurement of solar PVs will include due diligence of forced labor and declarations on no forced labor. Both forced and child labor are on the Eximbank's Exclusion List.

Within the scope of the Türkiye Green Export project, no investments outside Türkiye are anticipated and such investments are not considered as eligible. Furthermore, no Category A projects will be eligible for the project financing.

2. Describe the key features of the client's Environmental and Social Management System and the capacity to implement it in a responsible manner:

Eximbank has an Environmental and Social Management System (ESMS) in place to manage the E&S risks of its financing activities. The ESMS includes a policy that is approved and signed by senior management of Eximbank. The policy adopts the principles of OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence, the Performance Standards, World Bank Group (WBG) Environmental Health and Safety (EHS) Guidelines, World Bank (WB) Environmental and Social Framework (ESF) and United Nations Guiding Principles on Business and Human Rights. The ESMS includes a documented procedure for conducting E&S due diligence and assessing, categorizing and managing E&S risks throughout a financing transaction cycle. Eximbank's ESMS specifies the applicable E&S requirements as its Exclusion List, national E&S laws of Türkiye and the E&S standards of respective International Financial Institutions (IFIs) such as the World Bank, MIGA, EBRD and in accordance with its financing obligations with each institutions. Eximbank will be required to update its ESMS with E&S risk classification in line with World Bank ESF directive for E&S risk classification.

Environmental and Social Due Diligence (ESDD) is currently part of Eximbank's financing review process in its ESMS implementation. The process involves screening against the applicable requirements by E&S staff. The documented procedure specifies that site visits are conducted to ensure that health and safety policies and practices are enforced and business licenses have been issued and are valid. Eximbank utilizes the services technical consultants to undertake ESDDs. Environmental and Social Action Plan (ESAP) are developed as part of the ESDDs when there are gap filling measures required of the beneficiary firms to meet applicable requirements of the ESMS. The WB has reviewed the sample ESDDs from subloans under the current Eximbank project

(P171448) and the ESDDs were considered satisfactory. The implementation of the ESMS is considered satisfactory. The ESAP, which will be part of the guarantee agreement, will require Eximbank to submit to the IBRD semi-annual performance monitoring reports, which will also include a sample ESDDs. Eximbank will also submit to IBRD a set of ESDDs for prior review and No Objection.

The Project Implementation Unit (PIU) at Eximbank is staffed with qualified personnel, capable of satisfactorily implementing all aspects of the project, already performed under past World Bank and MIGA projects. The head of Sustainability Department has overall responsibilities at Eximbank for E&S risk management. Staff with E&S risk management function such as senior management, loan and credit officers in departments including Allocation, Marketing, Treasury/Finance, Human Resources, Communications, International Loans, IT-Technology/Support, Internal Audit, Risk Management, Structured Finance are trained on E&S risk management.

Stakeholders and affected parties can raise concerns using the client feedback system which can be accessed via email address available on the Eximbank website and via the call center. Additionally, there is a national centralized feedback system called CIMER (communication center under the Turkish Presidency) which is open for any feedback on public services. The system is accessible to both Eximbank clients and to the project affected people.

Eximbank also has experience with World Bank Group Performance Standards gained through projects supported by MIGA and the World Bank using OP 4.03.

3. Describe the key instruments used by the client to identify and assess risks and impacts, and measures taken by the client to address environmental and social risks and impacts of the project. Provide an assessment of client's capacity to implement the measures described:

In line with Eximbank Environmental and Social Policy and Guidelines, Eximbank applies risk screening and classification described in its ESMS. Depending on the outcome of the risk classification, Eximbank requires the exporters to carry out the environmental and social review which examines the sub-project's potential adverse environmental and social impacts and may include measures to prevent, minimize, mitigate, or compensate for adverse impacts and as well as methods to improve environmental performance. Eximbank requires an ESIA report for Category A and B Projects.

Eximbank further requires exporters to implement prevention, mitigation and compensation measures of the adverse environmental and social impacts of sub-projects, which can take a form of ESMP. Eximbank includes the commitment for the fulfillment of those mitigation requirements as a prerequisite in the loan/guarantee agreement or in the insurance policy. Eximbank may, as needed, procure a consultant to monitor the sub-project regarding the compliance with the mitigation measures for the adverse environmental and social impacts of the sub-project. In case of non-compliance, Eximbank may suspend the financial support provided for the sub-project. Within the scope of its policy under the ESMS and according to relevant procedures, Eximbank senior management is committed to review the implementation of the ESMS on its portfolio and carry out necessary modifications.

<i>B. Disclosure Requirements Date</i>	
For Category FI -- FI's Policy Statement and Procedures for Screening and Assessing Risks:	

Dates of "in-country" disclosure	September, 2019
Date of submission to InfoShop	April 9, 2020
If in-country disclosure of any of the above documents is not expected, please explain why: N/A	

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

Client's Environmental and Social Management System			
Has the client developed an appropriately detailed ESMS, <u>and</u> does the client have the technical and organizational capacity to implement it?	Yes [x]	No []	N/A []
Labor and Working Conditions			
Does the client have a written human resources policy available to all employees that describes labor and working conditions?	Yes [x]	No []	N/A []
Monitoring and Reporting			
Has the client agreed to submit an annual Environmental and Social Performance Report to the Bank to report progress on implementation of its ESMS, and does the Legal Agreement contain this provision?	Yes [x]	No []	N/A []

D. Approvals

Signed and submitted by:	Name	Date
Task Team Leader:	Gunhild Berg, Etkin Ozen, Rome Chavapricha	
Environmental Specialist:	Funke Asaolu	November 7, 2023
Social Development Specialist:	Jelena Lukic	November 7, 2023
Additional Environmental and/or Social Development Specialist(s):		
Approved by:		
Regional Safeguards Coordinator:	Abdoulaye Gadiere	December 7, 2023
Comments:		
Sector Manager:	Mario Guadamillas	December 7, 2023
Comments:		