

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

I. Basic Information

Date prepared/updated: 11/12/2009

Report No.: AC4801

1. Basic Project Data

Original Project ID: P082822	Original Project Name: Access to Finance for SMEs	
Country: Turkey	Project ID: P108140	
Project Name: Access to Finance for SMEs - Second Additional Financing		
Task Team Leader: Isfandyar Zaman Khan		
Estimated Appraisal Date: November 11, 2009	Estimated Board Date: December 15, 2009	
Managing Unit: ECSPF	Lending Instrument: Financial Intermediary Loan	
Sector: Micro- and SME finance (100%)		
Theme: Small and medium enterprise support (100%)		
IBRD Amount (US\$m.):	200.00	
IDA Amount (US\$m.):	0.00	
GEF Amount (US\$m.):	0.00	
PCF Amount (US\$m.):	0.00	
Other financing amounts by source:		
<u>Borrower</u>		0.00
		0.00
Environmental Category: F - Financial Intermediary Assessment		
Simplified Processing	Simple <input checked="" type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

2. Project Objectives

The second additional financing will continue to support the project's development objective "to increase Turkish small and medium enterprises (SME) access to medium term finance". It will scale up the achievements of the original project not only during the implementation period (2008-2012), but also beyond that period as the Borrower will use the reflows repaid from the initial sub-borrowers to finance new investments before the funds are returned to the World Bank.

The Access to Finance for SMEs project has proven effective in achieving its objectives by providing financing for over 435 small and medium firms so far resulting in gains in productivity and enhanced competitiveness. The loans are well dispersed both sectorally and geographically. SMEs representing more than twenty sectors from varied areas such as printing, plastic processing, solar energy, tourism and food processing have utilized funds from the project. The geographical coverage extends to most parts of Turkey with an emphasis on underserved areas such as the North, East, South East and the Center. The

additional financing for Halkbank will enable further expansion of the sectors covered and broaden the coverage of the project thus enhancing the impact by improving access to finance for SMEs especially in a time of constrained financing.

3. Project Description

The additional loan will finance a credit line intermediated by Halkbank. The SMEs will be the final beneficiaries of the credit line. For purposes of this additional financing, SMEs will continue to be defined as firms employing fewer than 250 people and having annual sales of less than US\$20 million. To ensure that the project covers geographical regions in which SMEs are particularly underserved, Halkbank plans to allocate a portion of the loan to the areas as defined in the Loan Agreement. The credit line will finance medium-term working capital (e.g. raw materials) and investment loans (e.g., machinery, equipment, and civil works) with no sector restrictions. Sub-loans will be provided on the same terms and conditions as stipulated in the original Loan Agreement. The lending rates would be approximate to what sub borrowers would pay in the market for similar money, taking into account, as relevant, maturities, risks, and scarcity of capital.

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

Projects location is of SMEs that are located all over Turkey

5. Environmental and Social Safeguards Specialists

Mr Halil Agah (ECSS1)

Mr Jeyhun Sahavat Sultanov (ECSS3)

6. Safeguard Policies Triggered	Yes	No
Environmental Assessment (OP/BP 4.01)	X	
Natural Habitats (OP/BP 4.04)		X
Forests (OP/BP 4.36)		X
Pest Management (OP 4.09)		X
Physical Cultural Resources (OP/BP 4.11)	X	
Indigenous Peoples (OP/BP 4.10)		X
Involuntary Resettlement (OP/BP 4.12)		X
Safety of Dams (OP/BP 4.37)		X
Projects on International Waterways (OP/BP 7.50)		X
Projects in Disputed Areas (OP/BP 7.60)		X

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, based on the fact that some of the investments under the project, which may be of all EA categories, 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 Environmental Assessment (Regulations on Environmental Impact Assessment, Official Gazette, dated 17 July 2008, Number 26939 from the Ministry of Environment and Forests-MoEF) and World Bank EA (OP 4.01) requirements. There will be no large scale significant and/or irreversible impacts. For the sub projects to be defined during project implementation, the Bank will verify during supervision that Halkbank also follows the Environmental Assessment Framework (EAF) procedures for environmental review.

The Turkish environmental impact assessment regulation classifies projects by environmental risk in a manner similar to World Bank Environmental Assessment (EA) policy (OP 4.01). Some cases may arise, however, where the resultant environmental risk assignment under the Turkish system may differ from that of the World Bank, though in all cases the more protective approach will apply. In these limited cases Halkbank will seek additional information and/or to undertake additional measures to assess and mitigate risks as a condition of using loan funds. The seven key elements involved in the EA process are: (a) screening, (b) EA documentation, (c) public consultation, (d) review and approval, (e) disclosure, (f) conditionality and (g) supervision and reporting. The procedures and institutional responsibilities are all delineated in the Environmental Review Procedures Document (EAF).

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 pollution, accumulated piles of construction waste, mild soil erosions, potential contamination of water and soil from improper material storage or usage of construction equipment, and exposure of workers to asbestos containing materials.

Because the specific civil works of the existing factory buildings could potentially be within a historic district, the Bank safeguard policy on Physical Cultural Resources (OP/BP 4.11) is applicable to these investments. For cultural property issues, local municipality is responsible for application of Turkish laws and regulations, including those relating to cultural heritage. Regional Councils in the provinces have identified certain areas as “designated” areas of cultural and historical importance. If proposed civil works are to take place within one of the designated areas, it is reviewed by the appropriate Regional Council prior to being approved, and, if appropriate, specific provisions are attached to the approval. If the construction site is outside a designated area, approval by the Regional Council is not required. However, all construction is subject to national laws and procedures related to chance finds. If an historical or cultural object is found during construction, work stops and the Ministry of Culture and Tourism is informed, which sends an expert to provide direction on how to proceed with the activity.

Halkbank will review the subprojects made to SMEs and it will not support any investment requiring land acquisition or associated involuntary resettlement (OP/BP

4.12). All civil construction works planned will be executed on existing land plots which are already in the position 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 persons.

The Bank safeguard policies on Safety of Dams (OP/BP 4.37) and Projects on International Waterways (OP/BP 7.50) are not triggered for the project because no investments will take place on or affecting international waterways (Euphrates, Tigris and Asi rivers, etc) or involving or dependent upon dams.

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

N/A

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

N/A

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 project Operational Manual the Borrower-Halkbank has prepared an Environmental Review Procedures which serves as the Environmental Assessment Framework (EAF) and defines the environmental assessment procedures for the project. For purposes of the second additional financing Halkbank will update the EAF in consultation with the WB with the final document acceptable to WB. Halkbank has during the Access to Finance for SMEs Project developed institutional capacity to determine and monitor environmental risks of individual sub-projects.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. The key stakeholders are the Halkbank officers, the borrowers, authorities related to the Ministry of Environment and Forestry, local communities and municipalities and NGO. The Borrowers have had and will continue to have consultations with final beneficiaries (small and medium enterprises) and potentially negatively impacted local people, NGOs and other.

Environmental Assessment Framework for the first Additional finance was disclosed in country in local language and in English through the Halkbank website on November 3, 2008. For the second additional finance the EAF was disclosed on Nov 3rd 2009 on Halbank's website and Nov 4th 2009 on the Infoshop in Washington. Public consultation on the EAF was held prior to project appraisal, in March 2006. No new public consultation meeting was held for this second additional financing as the EAF is not being substantially changed. The Halkbank will, through the project implementation, have continuous consultation with the stakeholders, as necessary, to address environmental issues/concerns that may affect them.

B. Disclosure Requirements Date

Environmental Assessment/Audit/Management Plan/Other:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	10/26/2009
Date of "in-country" disclosure	11/03/2009
Date of submission to InfoShop	11/04/2009
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:

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

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

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?	Yes
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	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

<i>Signed and submitted by:</i>	<i>Name</i>	<i>Date</i>
Task Team Leader:	Mr Isfandyar Zaman Khan	10/29/2009
Environmental Specialist:	Mr Jeyhun Sahavat Sultanov	10/30/2009
Social Development Specialist		
Additional Environmental and/or Social Development Specialist(s):	Mr Halil Agah	10/30/2009
<i>Approved by:</i>		
Regional Safeguards Coordinator:	Ms Agnes I. Kiss	11/06/2009
Comments:		
Sector Manager:	Mr Lalit Raina	10/30/2009
Comments:		