

**INTEGRATED SAFEGUARDS DATA SHEET
CONCEPT STAGE**

Report No.:

Date ISDS Prepared/Updated:

I. BASIC INFORMATION

A. Basic Project Data

Country: Turkiye	Project ID: P181436	
	Additional Project ID (if any):	
Project Name: Green Export Project		
Task Team Leader: Gunhild Berg		
Estimated Appraisal Date: November 27, 2023	Estimated Board Date: February 15, 2023	
Managing Unit: Finance, Competitiveness and Innovation	Lending Instrument: Investment Project Financing	
Sector:		
Theme:		
IBRD Amount (EURm.): up to 600		
IDA Amount (US\$m.):		
GEF Amount (US\$m.):		
PCF Amount (US\$m.):		
Other financing amounts by source:		
Environmental Category: Cat FI - 2		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input type="checkbox"/>
Is this a transferred project	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

B. Project Objectives:

The development objective is to support Turkish exporters in their green transition and expanding green exports through longer-term financing. The following proposed PDO indicators are considered to measure the results of the project: (i) Annual GHG emission avoided or reduced; (ii) Ratio of green export growth of Project beneficiaries relative to green export growth of their equivalent sector; and (iii) Ratio of the average maturity of sub-loans financed under the Project, over the average maturity of Eximbank's representative loan portfolio.

C. Project Description:

The proposed financing instrument is an up to EUR 600 million or equivalent in USD IBRD Loan Guarantee to Eximbank to enable raising up to EUR 1 billion in aggregate in approximately 10-year loan commercial structures from the international markets. A guarantee coverage of 50 percent will be pursued to maximize Project funds. Türkiye will provide a

sovereign counter-guarantee to IBRD, in line with the standard requirement for IBRD guarantee projects. The proposed project follows on the heels of the EUR 250 million IBRD Long Term Export Finance Guarantee (P171448) with Eximbank, approved by the Board in 2020, which successfully mobilized EUR 500 million in commercial loans, and is in the late stage of implementation. The guarantee helped Eximbank mobilize private capital from global lenders, doubling the volume of financing raised relative to IBRD's committed credit exposure, with longer maturity and lower all-in cost than was available from markets without a guarantee. The financing was primarily used to support export-oriented SMEs and midcaps that were negatively impacted by the COVID-19 shock. The project has been rated as Satisfactory throughout implementation.

The Project aims to address the following interrelated challenges: (a) scarcity of long-term funding for the Turkish banking sector; (b) constraints faced by exporters in accessing longer-term financing; and (c) the urgent investments needed to maintain the competitiveness of Turkish exporters in the wake of Carbon Border Adjustment Mechanism (CBAM) and rising demand for green exports. The Project intends to address these challenges by helping Eximbank mobilize long-term market funding using the IBRD guarantee instrument and then using this funding to improve exporters access to longer-term finance for CBAM and green export related investments. Given the challenging market conditions for raising funding on international markets discussed above, the IBRD guarantee will improve confidence in the transaction and help unlock the capacity of commercial lenders and insurers who would be unlikely to participate otherwise, especially at the sought maturities and pricing. By doing so, the Project is expected to mobilize significant private capital to help these exporters maintain and expand their operations (in terms of volume of exports) and decarbonize. This will help Türkiye maintain strong export performance as a key driver of growth and contribute to the decarbonization of the economy.

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. 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. Supporting these exporters will help them maintain their export competitiveness, particularly with regard to exports to the EU market. The project's focus is in line with Eximbank's new strategy that emphasizes sustainability as a key focus for itself and for the exporters it prioritizes.

D. Project location and salient physical characteristics relevant to the analysis of environmental and social risks and impacts (if known):

The Project will utilize the commercial financing raised by Eximbank with the support of the IBRD guarantee to directly extend sub-loans to eligible exporters. Eligible exporters will include two target groups located countrywide: (i) exporters that are at CBAM transition risk and (ii) exporters of green products. Eligible exporters will include export-oriented SMEs (EOSMEs) and export-oriented mid-caps (EOMCEs). EOSMEs will be defined as firms employing fewer than 250 people, and EOMCEs will be defined as firms employing from 250 to 1,500 people.

The project locations are not known at this moment, since it is anticipated that eligible firms will be located in all regions of the country.

Eligibility criteria for financing will exclude subprojects with significant impacts on biodiversity, those requiring involuntary land acquisition and/or physical displacement, and those with significant impacts on cultural heritage. It is estimated that the following sectors will be eligible for financing, with details to be agreed during Project preparation: EOSMEs and EOMCEs operating in the six initial CBAM sectors: cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen. EOSMEs and EOMCEs operating in the sectors considered for the second and later stages of CBAM includes the following: manufacture of food products, textile products, chemicals and chemical products, rubber and plastic products, computers, electronic and optical products, electrical equipment manufacturing, construction, water transportation, and airways transportation. The loan proceeds are expected to be used to finance energy and water efficient machinery and equipment. Beneficiary exporters will use the financing from Eximbank to replace machinery with more energy-efficient products or purchase machinery to produce solar energy to become greener, among others, with the aim to reduce direct and indirect GHG emissions resulting from their operations. No new construction or production expansion will be financed. It is anticipated that the average size of investment loans for the machinery and equipment will be approximately USD 9 million.

High risk projects will not be eligible for support under the guarantee. During project preparation the Bank will agree with Eximbank on additional exclusion criteria.

E. Borrower's Institutional Capacity for Effective SEMS:

Eximbank will be responsible for the implementation of the project and was selected based on its experience with exporters, and with World Bank projects. Eximbank, a public sector development bank has extensive experience in offering credit and export insurance products to exporters in all regions and sectors in Türkiye. Eximbank's mandate is to support the development of Turkish exports and exporter's sustainability. It calculates the carbon footprint generated by its customers. Additionally, it calculates greenhouse gas emissions resulting from business and investment loans, with verification in line with ISO 14064:2018 standards.

Eximbank had a good performance as one of the Borrowers in the closed EFIL I (P065188) and EFIL IV (P096858) credit line projects as well as Long Term Export Finance Project (P156252) financed by the World Bank. The Long Term Export Finance Guarantee (P171448) is currently under implementation with satisfactory E&S performance.

Exim Bank has an Environmental and Social Management System (ESMS) which includes the procedure for sub-project screening, due diligence and impact assessment analysis as per national environmental and social requirements, and international lenders including World Bank and IFC. This ESMS will be additionally assessed during project preparation to ensure that there is adequate mechanism and capacity in place to screen out high E&S sub-projects.

Eximbank has dedicated environmental and social staff for the implementation of the ESMS. The recently established dedicated Sustainability Department has a total of six staff. Currently all of

them have environmental and engineering background. Eximbank is in the processing of hiring a social specialist. Eximbank also has experience with IFC Performance Standards gained through projects supported by MIGA.

F. Environmental and Social Safeguards Specialists on the Team:

Funke Asaolu, Senior Environmental Specialist

Jelena Lukic, Senior Social Specialist

II. PERFORMANCE STANDARDS THAT MIGHT APPLY

Performance Standards <i>(please explain why)</i>	Yes	No	TBD
PS 1: Assessment and Management of Environmental and Social Risks and Impacts	x		
<p>The project is categorized as FI-2 given that potential subprojects (supported firms) are anticipated to have adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. Limited number of subprojects with potential significant adverse environmental or social risks are anticipated within the scope of the project. The majority of the supported firms are expected to be in the range of Moderate to Substantial risk. Projects rated as FI-1 (Category A, High risk) will be excluded from financing. The E&S risk will be continuously monitored during project implementation. Anticipated risks and impacts are associated with water use, wastewater management, pesticide use, hazardous materials management, energy and resource efficiency, noise and air emissions, waste management, greenhouse gas emissions, community health and safety and occupational health and safety issues. At this stage, workers’ retrenchment in the beneficiary firms is not expected as a consequence of new technologies adoption.</p> <p>Under PS1, the existing system of the Eximbank for managing E&S risks of its portfolio will be assessed. Eximbank has an Environmental and Social Impact Policy, which is published on their website. 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, IFC 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. Eximbank has an exclusion list that is compatible with the IFC’s Exclusion List. Eximbank also has an E&S guideline that applies E&S Risk Model for its portfolio – for projects with 10 million USD or above and for below 10 million USD projects that are close to sensitive areas/receptors. However, for IFI financed projects, the ESMS applies irrespective of the size of loans. There is an E&S screening system and risk categorization including: Category A: Business activities with potential significant adverse social or environmental impacts that are diverse, irreversible, or unprecedented; Category B+: Business activities with potentially more limited adverse social or environmental impacts than Category A activities and/or few in number, site-specific, largely reversible, and readily addressed through mitigation measures; Category B: Business activities with potentially more limited adverse social or environmental impacts than Category B+ activities and/or few in number, site-specific, largely reversible, and readily addressed through</p>			

Performance Standards <i>(please explain why)</i>	Yes	No	TBD
<p>mitigation measures; Category B-: Business activities with potentially more limited adverse social or environmental impacts than Category B activities and/or few in number, site-specific, largely reversible, and readily addressed through mitigation measures. Category C: Activities with minimal or no adverse social or environmental impacts. Depending on the E&S risk categorization, Eximbank requires from its clients to conduct site specific E&S assessment including ESIA's and obtaining nationally required official permits. Eximbank conducts E&S review/due diligence for the projects it finances. The review includes aspects of project description, potential E&S impacts, GHG emissions, public consultation and disclosure etc. The review is followed by the preparation of an E&S action plan that include proposed measures to prevent, minimize, mitigate, or compensate for adverse impacts and as well as methods to improve environmental performance. Eximbank monitors the compliance and meeting the requirements of ESAP.</p> <p>The implementation of the E&S policy is the responsibility of Sustainability Committee, while Board of Directors is responsible for approval and updating of the document. The Policy is reviewed annually, and if deemed necessary updated and disclosed with all the stakeholders including its direct employees.</p> <p>Eximbank publicly discloses environmental and social information including ESIA studies and assessed international standards regarding Category A and Category B projects throughout the disbursement period. Information of Category A projects (in particular, ESIA report, the transaction name, location, transaction description and reference to additional information) is disclosed for 30 days prior to investment decision.</p> <p>The ESMS in place will be assessed in details and the gaps and appropriate mitigation measures to fill the gaps will be identified, with respect to policy statement, organizational capacity, procedures for screening and assessing risks and impacts and monitoring performance during appraisal stage. The assessment will also ensure that Exim has in place a stakeholder engagement mechanism; and community grievance mechanism to meet the requirements of PS1. The progress in implementation of the ESMS will be reported to the World Bank bi-annually. The World Bank will also periodically review the results of E&S due diligence conducted by Eximbank, through meetings, site visits and reports.</p> <p>Eximbank is certified with 14001 International Environmental Management System, and ISO 45001 OHS Management.</p>			
PS 2: Labor and Working Conditions	x		
<p>This standard is relevant - Eximbank has direct workers. Eximbank employes 784 employees (35 percent 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. According to the requirements of PS2, Eximbank should have an HR Policy and relevant procedures aligned with the PS requirements. Furthermore, the policy should be respectful to the workers' rights including but not limited to collective bargaining, non-discrimination and equal opportunity, prohibition of child and forced labor, grievance mechanism and occupational health and safety. The status of contracted and supply-chain workers will be addressed during project preparation. The existing HR Policy will be</p>			

Performance Standards <i>(please explain why)</i>	Yes	No	TBD
<p>assessed against PS2 requirements by the appraisal stage. The review will also include assessment of OHS policies and procedures and any available grievance mechanism for workers. If any gaps with PS2 are identified, these will be addressed with appropriate mitigation measures/actions included in the Action Plan. Under the Long-Term Export Finance Guarantee (P171448) Eximbank supported firm reported a case of a fatality in 2021. In response, Eximbank prepared a Root Cause Analysis report and implemented a Corrective Acton Plan.</p> <p>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 additionally assessed by appraisal stage. Procurement of solar PVs will include due diligence of forced labor. Child labor risks in the agriculture sector are not expected, and will be screened out during initial loan application stage. Both forced and child labor are on the Eximbank's Exclusion List.</p>			
PS 3: Resource Efficiency and Pollution Prevention	x		
<p>The sectors included in the project scope are cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen. The environmental risks and impacts associated with such sectors include water use, wastewater management, hazardous materials management, energy and resource efficiency, noise and air emissions, waste management, and greenhouse gas emissions. Related risks and impacts will be assessed, addressed, and mitigated within the scope of the ESMS and the associated environmental and social assessment studies, after alignment with WB PS requirements.</p>			
PS 4: Community Health, Safety, and Security	x		
<p>The community health, safety and security risks and impacts from hazardous materials management from the fertilizer sector could result in exposing workers and their families to hazardous chemical materials. Eximbank's ESMS will require sub-projects to exercise commercially reasonable efforts to control the safety of deliveries of hazardous materials, and of transportation and disposal of hazardous wastes, and will implement measures to avoid or control community exposure to pesticides, in accordance with the requirements of Performance Standard 3. Labor influx impacts are not expected because it is anticipated that business activities will take place within the defined perimeters of existing firms, and significant workforce expansion is not expected to be associated with the adoption of new technologies. The use of security personnel is not anticipated at this stage.</p>			
PS 5: Land Acquisition and Involuntary Resettlement		x	
<p>The project will propose to exclude business activities that will require involuntary land acquisition (expropriation) and involuntary resettlement. The ESMS will include a screening procedure to ensure that sub-projects are screened according to this criterion. Eximbank should not fund projects that have recently acquired land involuntarily in anticipation of use for the project to be funded by Eximbank. However, firms that may acquire land for through private transactions can still be eligible for financing. Though, loan proceeds will not finance any private land purchase.</p>			
PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources		x	
<p>The project will propose to exclude business activities that will have significant impacts on the sensitive areas (e.g., nationally and internationally protected areas, cultural values etc.). Such projects are not eligible for financing.</p>			

Performance Standards <i>(please explain why)</i>	Yes	No	TBD
PS 7: Indigenous Peoples		x	
There are no groups of people or communities that are identified as Indigenous Peoples in Turkiye.			
PS 8: Cultural Heritage		x	
The project will support existing firms, therefore risks and impacts on cultural heritage are not anticipated. The potential projects that will have impact on sensitive protected areas will not be eligible for financing. Construction activities will not be supported under the guarantee facility.			

III. SAFEGUARD PREPARATION PLAN

- A. Target date for the Quality Enhancement Review (QER), at which time the ESRS would be disclosed and the PAD-stage ISDS would be prepared:
- B. For Category C or Category FI projects that do not require an ESRS, the target date for preparing the PAD-stage ISDS: *November 15, 2023*
- C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS:
Assessment of the Eximbank ESMS – prior to appraisal
Assessment of the Eximbank human resources policies – prior to appraisal

IV. APPROVALS

<i>Signed and submitted by:</i>		
Task Team Leaders:	Gunhild Berg, Etkin Ozen, Rome Chavapricha	October 17, 2023
<i>Approved by:</i>		
Regional Safeguards Coordinator:	Abdoulaye Gadiere	October 17, 2023
Comments:		
Sector Manager:	Mario Guadamillas	October 18, 2023
Comments:		

¹ Reminder: The Bank's Access to Information Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in-country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.