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Report No: PAD2656

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LOAN
IN THE AMOUNT OF EUR 73.5 MILLION
(US\$91.54 MILLION EQUIVALENT)

TO THE

ILLER BANKASI ANONIM SIRKETI

WITH A

GUARANTEE FROM TURKEY

FOR A

SUSTAINABLE CITIES PROJECT 2

MARCH 22, 2018

Social, Urban, Rural, and Resilience Global Practice
Europe and Central Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2018)

Currency Unit = Turkish Lira (TL)

TL 3.87 = US\$1

US\$0.26 = TL 1

US\$1.245 = EUR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ALDAS	Altyapı Yönetim Danışmanlık Mühendislik Hizmetleri Elektrik Enerjisi Yapı Elemanları Üretimi İnşaat Taahhüt San. ve Tic. A.Ş.
ASAT	Antalya Metropolitan Municipality Water and Wastewater Utility
CIP	Capital Investment Plan
CPF	Country Partnership Framework
DS	Direct Selection
EIA	Environmental Impact Assessment
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
EU	European Union
F-NPV	Financial Net Present Value
GC	Grievance Committee
GDP	Gross Domestic Product
GNI	Gross National Income
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
IC	Individual Consultant
ICB	International Competitive Bidding
IFC	International Finance Cooperation
IFI	International Financing Institution
IFR	Interim Financial Report
IL_BIS	İller Bank's Web-based Information System
İlbank	İller Bank
IPA	Instrument for Pre-Accession Assistance
IPF	Investment Project Financing
IT	Information and Technology

JIP	Joint Implementation Program
KENTGES	Bütünleşik Kentsel Gelişme Stratejisi ve Eylem Planı
LARAP	Land Acquisition Resettlement Action Plan
LARPF	Land Acquisition and Resettlement Policy Framework
M&E	Monitoring and Evaluation
MFD	Maximizing Finance for Development
MM	Metropolitan Municipality
MSP	Municipal Services Project
MSP-AF	Municipal Services Project Additional Financing
MUSKI	Muğla Municipality Water and Wastewater Utility
NPF	New Procurement Framework
NPV	Net Present Value
O&M	Operation and Maintenance
OM	Operational Manual
PAD	Project Appraisal Document
PDO	Project Development Objective
PFS	Project Financial Statement
PIU	Project Implementation Unit
PMU	Project Management Unit
PPIAF	Public Private Infrastructure Advisory Facility
PPSD	Project Procurement Strategy for Development
S&I	Supply and Installation
SCALA	Sustainable Cities Approach for Local Administrations
SCP	Sustainable Cities Project
SOE	Statement of Expenditure
SOP	Series of Projects
STEP	Systematic Tracking and Exchanges in Procurement
SuTP	Syrians under Temporary Protection
TA	Technical Assistance
TOR	Terms of Reference
WWTP	Wastewater Treatment Plant

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Country Director: Johannes C. M. Zutt

Senior Global Practice Director: Ede Jorge Ijjasz-Vasquez

Practice Manager: David N. Sislen

Task Team Leader(s): Soraya Goga, Joanna Mclean Masic



BASIC INFORMATION

Is this a regionally tagged project? No	Country(ies)	Financing Instrument Investment Project Financing
<input type="checkbox"/> Situations of Urgent Need of Assistance or Capacity Constraints <input checked="" type="checkbox"/> Financial Intermediaries <input checked="" type="checkbox"/> Series of Projects		
Approval Date 12-Apr-2018	Closing Date 31-Aug-2025	Environmental Assessment Category F - Financial Intermediary Assessment
Bank/IFC Collaboration No		

Proposed Development Objective(s)

The Project Development Objective is to improve the access to targeted municipal services in participating municipalities and utilities.

Components

Component Name	Cost (US\$, millions)
Component A: Municipal Investments	91.54
Component B: Project Management	1.00

Organizations

Borrower : ILLER BANKASI ANONIM SIRKETI
 Implementing Agency : Ilbank



PROJECT FINANCING DATA (US\$, Millions)

<input checked="" type="checkbox"/> Counterpart Funding	<input checked="" type="checkbox"/> IBRD	<input type="checkbox"/> IDA Credit	<input type="checkbox"/> IDA Grant	<input type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
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Total Project Cost:
92.54

Total Financing:
92.54
Of Which Bank Financing (IBRD/IDA):
91.54

Financing Gap:
0.00

Financing (in US\$, millions)

Financing Source	Amount
Borrower	1.00
IBRD-88430	91.54
Total	92.54

Expected Disbursements (in US\$, millions)

Fiscal Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual	0.00	0.11	4.93	9.23	12.85	16.44	22.73	25.25	0.00
Cumulative	0.00	0.11	5.04	14.27	27.12	43.56	66.29	91.54	91.54

INSTITUTIONAL DATA

Practice Area (Lead)

Social, Urban, Rural and Resilience Global Practice



Contributing Practice Areas

- Energy & Extractives
- Environment & Natural Resources
- Transport & Digital Development
- Water

Climate Change and Disaster Screening

This operation has not been screened for short and long-term climate change and disaster risks

Explanation

PCN approved prior to July, 2017. However, the Team has considered Climate Co-Benefits and these are discussed in the PAD.

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Low
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Moderate
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate



9. Other

10. Overall

● Moderate

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered by the Project

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

Legal Covenants

Sections and Description

The Borrower shall maintain, until the completion of the Project, the Project Management Unit, with staffing, budgetary resources, and authority necessary for coordinating and supervising Project implementation, and for providing implementation support to Sub-borrowers.

Sections and Description

By no later than sixty (60) days after the signing of each respective Sub-loan Agreement, the Borrower shall ensure the respective Sub-borrower establishes, and maintains, a dedicated unit with budgetary resources and staffing



necessary for the appropriate implementation of the respective Sub-projects.

Sections and Description

The Borrower shall, no later than forty-five (45) days after the Effective Date, update the Operational Manual to cover the implementation of this Project.

Sections and Description

The Borrower shall make Sub-loans to Sub-borrowers in accordance with eligibility criteria and procedures acceptable to the Bank and as set out in the OM.

Sections and Description

The Borrower shall open, and ensures that the Sub-Borrowers open, separate escrow accounts to credit each payment of interest or other charges on, or repayment of principal payments under, any Sub-loan, and utilize all amounts to meet the Borrower’s payment or repayment obligations to the Bank under this Agreement.

Sections and Description

The Borrower shall, and cause each relevant Sub-borrower to, with respect to civil works under the Project, prepare an Environmental and Social Impact Assessment (“ESIA”), Partial ESIA, or Environmental and Social Management Plan.

Sections and Description

The Borrower shall cause each Sub-borrower to prepare a Resettlement Action Plan (“RAP”) for sites where pre-screening has identified resettlement impacts, and ensure, in relation to any Involuntary Resettlements under the Project, the payment of all expenditures and any other related payments referenced under the RAPs.

Sections and Description

The Borrower shall (a) no later than seven (7) working days after the occurrence of a significant event, inform the Bank of the nature of the incident, accident, or circumstance and any effect or impact (whether on-site or off-site) resulting or likely to result; and (b) no later than thirty (30) calendar days after such Significant Event, provide the Bank with a summary report that includes the measures, if any, that the Sub-borrower is taking or plans to take to address such Significant Event and to prevent any future similar event; and (c) keep the Bank informed of the on-going implementation of the said measures and plans.

Conditions

Type

Effectiveness

Description

Loan Agreement Article IV, Section 4.01

The Effectiveness Deadline is the date one hundred twenty (120) days after the Signature Date.



PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
Soraya Goga	Team Leader(ADM Responsible)		GSU09
Joanna Mclean Masic	Team Leader		GSU09
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Ulker Karamullaoglu	Team Member		ECCTR

Extended Team

Name	Title	Organization	Location
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Emre Kaya

Consultant / Safeguards
Specialist

Turkey



TURKEY
SUSTAINABLE CITIES PROJECT 2

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I. STRATEGIC CONTEXT

A. Country Context

1. **Turkey has achieved commendable economic and social development results since the early 2000s, raising it to the world's 17th largest economy and establishing it as a global presence.** Macroeconomic stability, broad social and economic reforms, closer economic ties with the European Union (EU), and a transformation of a significant part of the economy away from agriculture into manufacturing and services were core contributors to Turkey's growth. Turkey's gross domestic product (GDP) per capita rose from US\$3,084 in 2001 to US\$11,019 in 2015;¹ poverty incidence more than halved and extreme poverty fell even more dramatically. Turkey's success on poverty reduction was driven mainly by increased labor incomes and stemmed from growing levels of consumption rather than changes in the distribution: these are all factors that make poverty reduction more sustainable. Turkey's growth for 2010–2016 continued to be impressive, averaging 6.7 percent annually, in sharp contrast to many other middle-income countries. Despite being hit by adverse shocks in 2016 linked to the failed coup attempt, the economy has shown remarkable resilience: growth in 2017 is estimated at 7 percent, supported by a substantial fiscal stimulus.

2. **The Government continues to implement its 10th Development Plan (2014–2018) for which ownership remains strong and long-standing.** The Government is committed to continued structural reforms to ease constraints on productivity, tackle a low female labor force participation rate that hampers sustained growth, and build the skills of its population to reap the benefits of greater global integration. Turkey's macroeconomic and fiscal frameworks remain robust despite political, security, and economic challenges, many of which are external. The continued difficult geopolitical environment in the region, stemming from the Syrian crisis, among other issues, has had a negative impact. Weak growth in the EU has affected foreign direct investment to Turkey, though exports to the EU—Turkey's largest export market—remained robust. In response to these challenges, the Government has executed a successful fiscal stimulus since mid-2016 that has underpinned the strong growth rate in 2017. The Government expects 5.5 percent growth per year in its medium-term program for 2018–2020. Turkey's development foundations remain sound and should bolster its ability to continue to face challenges and carry out the needed reforms.

B. Sectoral and Institutional Context

3. **Cities and urbanization have played a key role in Turkey's economic achievements.** The urbanization process has also been inclusive with a rising share of urban growth and job creation in the country's smaller cities. Over the course of the last 70 years, Turkey has experienced a dramatic and transformative urbanization experience. While the country's total population increased by 7.9 percent between 2007 and 2015, the urban population² increased by 20.4 percent during the same period. What distinguishes Turkey from many other developing countries is that it harnessed the benefits of rural-urban migration as reflected in the structural shifts during the peak period of urbanization (1960–2013). During

¹ According to TurkStat data.

² Defined as living in settlements with a population of over 20,000.



that time, the industrial and service sectors' contribution to GDP rose exponentially, from 17.6 percent to 27 percent and from 26 percent to nearly 64 percent, respectively. In addition, 2000–2012 witnessed a rising share of urban population growth³ and job creation⁴ in secondary and smaller cities like Bursa, Mersin, Kocaeli, Kayseri, and Gaziantep.

4. **As urban population increased, cities have sprawled, exceeding their mandated boundaries and challenges associated with quality of service and subsequent long-term financial and environmental sustainability of cities have emerged.** Turkey's built up area increased by 53 percent from 2000–2013; with the growth of secondary cities contributing disproportionately. While Istanbul, Ankara, and Izmir grew at 74 percent, 82 percent, and 71 percent, respectively; Gaziantep, Diyarbakir, and Erzurum area grew by 263 percent, 253 percent, and 277 percent.⁵ Quality and long-term financial and environmental sustainability of services remain a concern, for example, only 52 percent of drinkable and usable water was treated in 2010, nonrevenue water is estimated at approximately 50 percent.⁶ In the urban transport sector expansion of public transport services remains a concern. To address the required expansion of coverage and improve quality of service, cities will continue to require large-scale infrastructure investments. Coherent infrastructure planning and prioritization will be key in achieving sustainability.

5. **Coupled with rapid industrialization and urbanization rates, Turkey's total greenhouse gas emissions rose from 207.8 MtCO₂e (in 1990) to 467.6 m MtCO₂e (in 2014).** At the same time, climate change is further exacerbating already observed vulnerabilities and environmental risks. In fact, most of the projections suggest a temperature increase of 3–4 °C on average across Turkey (from 2041 to 2070) and uneven changes in the precipitation patterns, which are in turn expected to impact a number of sectors, including the availability of water resources across the country. Moreover, climate change impacts are also expected to lead to more frequent and severe climate extreme events, which could result in a disruption of critical municipal services and pose additional challenges to the existing urban infrastructure and well-being of the urban population.

6. **To address these challenges, Turkey has revised national policy frameworks and legislation. Leveraging them, and addressing planning gaps, is the next step in operationalizing the sustainability agenda.** In December 2012, the Government amended the Metropolitan Municipality (MM) Law (Law No. 6360), elevating 14 cities to metropolitan status⁷ while expanding their territorial boundaries (and those of 16 existing metropolitan municipalities) to their provincial limits; thus allowing these municipalities to extend the formulation of policies and planning to the municipality's regional and economic footprint. The Government's Integrated Urban Development Strategy and Action Plan (KENTGES) 2010–2023 provides guidance on a vision and strategy for policy and plan formulation for these and other municipalities. In

³ An increase of about 1 percentage point for each city in its share of the urban population. *Source: Turkish Statistical Institute (TUIK) 2000 Census Data and ABPRS (2012) in Rise of the Anatolian Tigers: Turkey Urbanization Review, World Bank 2015.*

⁴ For example, 15.7 percent for Gaziantep, Balikesir, Malatya, and Aydin and 16.8 percent for Istanbul, Izmir, and Ankara between 2010 and 2013.

⁵ Analysis of the Global Human Settlements Layer developed by the European Commission indicates that Turkey's built-up area has grown by 53 percent between 2000 and 2013. For example, Istanbul area grew by 74 percent, Ankara area grew by 82 percent, Izmir area grew by 71 percent, Gaziantep area grew by 263 percent, Diyarbakir area grew by 253 percent, and Erzurum area grew by 277 percent (data from the Geospatial Unit of the World Bank).

⁶ Turkey 10th Development Plan, page 129.

⁷ To the existing 16 metropolitan municipalities created between 1984 and 2012.



addition, the ‘Sustainable Cities Approach for Local Administrations (SCALA)’ paper (March 2015) provides a framework for city sustainability and identifies several existing spatial and environmental planning instruments that could be used for planning for a more sustainable city. Even though Turkey has an extensive existing urban planning and regulatory framework, there are missing elements.⁸ Spatial plans often do not contain coherent transport planning principles, which are crucial in preventing urban sprawl, ecological dimensions, as well as energy efficiency considerations such as provisioning for green space, solid waste management planning, and effective Geographic Information Systems that help plan the delivery and operation/maintenance of critical infrastructure. As a result, many cities do not have well-developed, multiyear capital investment plans with a pipeline of prioritized investment projects.

7. Ensuring comprehensive integrated planning linked to prioritized investments are key elements to long-term financial and environmental sustainability of cities. Moreover, Turkey’s Climate Change Action Plan (2011–2023)—which is, among others, guided by the principles to ensure regional development and increase quality and effectiveness of public services—identifies a number of actions aimed at climate change mitigation and adaptation, including those at the city level, such as sustainable management of water resources. Lastly, Turkey submitted its Nationally Determined Contribution to the United Nations Framework Convention on Climate Change in 2015, committing to reduce up to 21 percent of its greenhouse gas emissions by 2030 compared to business as usual scenario, which would be achieved through a number of new policies and measures, including those related to urban transformation.

8. **Within this context, the Government of Turkey requested financing from the World Bank and the EU for a Sustainable Cities Program.** Both the EU and the World Bank are well placed to respond to this request. The EU has a history of supporting Turkey to align with the EU environmental, climate change, energy, and transport *acquis*. The World Bank brings experience in sustainable metropolitan management and planning and has had a long-term engagement in the municipal sector in Turkey. Most recently, and through Iller Bank (Ilbank), the World Bank has concluded its investments financed under the Municipal Services Project (MSP) and the Municipal Services Project Additional Financing (MSP-AF) (closing date November 2016) and SCP1 (ongoing, approved by the Board in December 2016). These projects provided infrastructure investments in municipalities for water supply, wastewater, and solid waste management investments. In addition, the World Bank has engaged with the Government of Turkey on several analytical and technical assistance (TA) pieces. These include, but are not limited to, the Turkey Urbanization Review (April 2015) and the City Creditworthiness Academy (April 2016).

9. **In response, a proposed Program, aimed at supporting the sustainability of Turkish cities and financed through a series of projects (SOP) was designed.** The Program’s framework recognizes three dimensions of sustainability (environmental,⁹ economic/financial, and social).¹⁰ Given that the environmental risks may be amplified by climate change, by fostering environmental sustainability in Turkish cities, the Program will also improve their capacity to cope with climate change and natural disasters. The SOP approach allows for the provision of financing to a single borrower (Ilbank) for

⁸ Plans are not integrated so several different plans may be produced each with its own prioritized investments. Plans are often not costed; thus, reflecting a ‘wish list’. Identified planned investments are rarely linked to a municipal financial assessment.

⁹ As far as possible, environmental sustainability will also be defined to encompass climate mitigation and adaptation issues as well as susceptibility to natural disasters

¹⁰ See paper on ‘Sustainable Cities Approach for Local Administrations’. April 2015.



subnational lending to a gradual number of municipalities/utilities that are interested in a Sustainable Cities Program. A first project in the series was approved by the World Bank Board on December 20, 2016.

C. Higher Level Objectives to which the Project Contributes

10. **The Program and this project are consistent with the World Bank Group Country Partnership Framework (CPF) for Turkey (2018–2021), Report Number 119395.**¹¹ Objective 8 of the proposed CPF proposes continued World Bank Group support to improve the sustainability and resilience of cities through investment and TA interventions which coalesce around a public-private investment coordination platform in coordination with the IFC.

11. **The Sustainable Cities Program supports the World Bank’s objective under the maximizing finance for development (MFD) approach through this public-private investment coordination platform, in coordination with the International Finance Cooperation (IFC).** In support of the MFD approach to ‘crowd in’ private sector financing, the platform includes a national level ‘leg’ and a local level ‘leg’. The national level ‘leg’ that sustains constructive dialogue with the central government on policy and regulatory frameworks to modernize the existing municipal financing and investment framework and improve the enabling environment¹² to leverage the private sector. More recent support has included TA on local government development financing and use of municipal bonds and sukuk¹³ and the upcoming ‘Creditworthiness Initiative’.

12. **The local level ‘leg’ supports cities to become more creditworthy to mobilize and leverage private finance.** This occurs through cooperation with Ilbank to support municipalities in improving urban, infrastructure, and capital investment planning supported under Component A: Sustainable Cities Planning and Management of SCP1 and financed through EU-Instrument for Pre-Accession Assistance (IPA) Funds, and strengthen municipal financial capacity (including creditworthiness) included under the Turkey Municipal Finance Creditworthiness Academy and follow up and upcoming Creditworthiness Initiative financed by the Public Private Infrastructure Advisory Facility (PPIAF).¹³ The local ‘leg’, through the capital investment planning process, also identifies investments which would be more suited for concessional finance; thus, allowing the World Bank Group¹⁴ to optimize the use of scarce public resources to where it is most needed. These TA and investments enable the World Bank Group to play a catalytic role in moving municipalities forward in being able to secure financing directly from the capital markets for their crucial infrastructure, thus leveraging the private sector, while focusing public funding where it is most needed, thus optimizing the use of scarce public resources.

¹¹ Presented to the World Bank Group Board on August 29, 2017.

¹² For example, paper on Local Government Development-Financing and Potential Role of Sukuk and Municipal Bonds (2016) and the Turkey Municipal Finance Creditworthiness Academy Financed by PPIAF and implemented jointly with the IFC.

¹³ Included under the Turkey Municipal Finance Creditworthiness Academy financed by PPIAF.

¹⁴ The World Bank and IFC have undertaken a coordinated approach under the Sustainable Cities Program, through a Joint Implementation Program (JIP) while recognizing that the timing and scope of some engagements by IFC will depend on market factors and private sector demand.



13. Consequently, and consistent with the previous IBRD/IFC Sustainable Cities JIP¹⁵ and the current MFD approach, IBRD will assist the targeted metropolitan municipalities together with their utilities (currently Antalya Metropolitan Municipality Water and Wastewater Utility [ASAT] and Muğla Municipality Water and Wastewater Utility [MUSKI]) and prepare comprehensive integrated urban plans linked to investments prioritization and financial tools while at the same time financing water and wastewater investments. The wastewater subprojects, in particular, are not typically geared toward increasing the revenue base of a typical municipal water company.¹⁶ In Antalya, in parallel, IFC will finance a commercially viable EUR 140 million (circa US\$160 million equivalent) investment for a new 18 km tramway line with 29 stations and procurement of 20 tram vehicles. The investment financing includes a EUR 80 million IFC loan and a EUR 60 million Managed Co-Lending Portfolio Program (Chinese institutional investors) loan. This two-pronged approach in Antalya is consistent with the MFD approach as the World Bank Group is assisting the municipality raise as much funds from a diverse range of financiers as is feasible for different types of investments.

14. **The proposed operation aligns well with the 10th National Development Plan (2014–2018), under the ‘Livable Spaces/Sustainable Environment’ pillar and contributes to the EU-IPA II ‘Multi-annual Action Program for Turkey on Environment and Climate Action’.** The Government Development plan calls for improvements in the structure and functioning of the development planning system by working on key issues such as spatial planning, local administrations, and land and water resource management. This is consistent with the design of the Sustainable Cities Program. The EU-IPA II Multi-Annual Action Program for Turkey is a cornerstone of the enhanced coordination between the World Bank and the EU in Turkey.

II. PROGRAM AND PROJECT DEVELOPMENT OBJECTIVES

A. The Program

15. **The Sustainable Cities Program aims at supporting improved sustainability of Turkish cities.** It recognizes three dimensions of sustainability (environmental, economic/financial, and social) most relevant for Turkish cities and also identifies spatial, environmental, and financial planning instruments that are part of a comprehensive and integrated planning process that would move cities along a sustainability spectrum from planned to healthy and finally to smart cities.¹⁷ The Sustainable Cities Program design is premised on municipalities/utilities undertaking comprehensive and integrated planning (including spatial, social, environmental, and infrastructure planning) to identify investments for sustainable urban development and subsequently prioritize these investments through financial tools for example capital investment plans (as supported under Component A of the Sustainable Cities Project [SCP]1 - P128605).

¹⁵ Sustainable Cities JIP supported (a) tailored financing solutions for cities at various stages of development and for subprojects based on their ability to attract private sector and IFC financing and (b) improving the enabling environment by providing differential policy advice for municipalities and utilities.

¹⁶ Sewerage investments—particularly wastewater treatment plants (WWTPs)—are generally heavily subsidized (for example, the EU subsidizes WWTP in EU member states from structural and cohesion funds often to up to 80 percent grant financing).

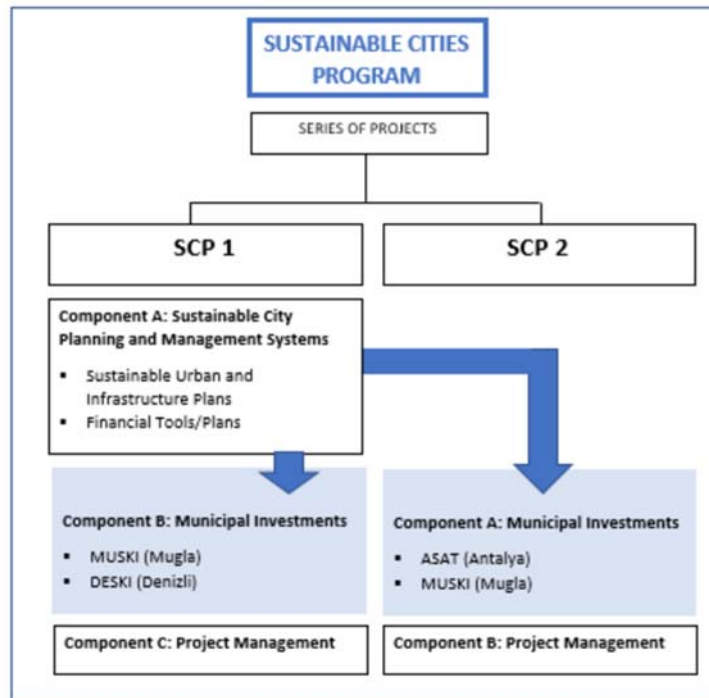
¹⁷ See paper on ‘Sustainable Cities Approach for Local Administrations’. April 2015.



16. **The Program was designed and presented to the Board as a SOP along with first operation in the series, SCP1.** The rationale for the SOP, that it allows for the provision of financing to a single borrower (Ilbank) for subnational lending to number of municipalities/utilities that are interested in a sustainable cities approach to municipal development, remains highly relevant. It also allows municipalities/utilities or a group of municipalities/utilities to enter the program and access investment financing on a phased-in basis and at a pace consistent with their readiness and ability to meet eligibility requirements (as elaborated under Component A). Finally, the SOP approach allows Ilbank and the World Bank to expand the sustainable cities approach both sectorally and spatially. The presentation of this second project in the SOP justifies the SOP approach for this Program.

17. **SCP1 (P128605, approved on December 20, 2016) was the first in the SOP and the first in the Sustainable Cities Program.** It consisted of three components, including Component A: Sustainable Cities Planning and Management which also supports municipalities in preparing comprehensive integrated plans and capital investment plans. Currently, the Government of Turkey is considering extending support under this component to Muğla, Denizli, Antalya, Kayseri, Balikesir, Ordu, Kahramanmaraş, Malatya, Mardin, and Van. SCP1 also includes Component B which finances Municipal Investments and Component C: Project Management. SCP2 is a separate stand-alone Investment Project (according to the guidance of the SOP) and consists of Component A: Municipal Investments and Component B: Project Management. However, eligible municipalities will need to meet the Sustainable Cities Program requirements including comprehensive integrated urban and financial investment plans. These may be financed under SCP1, Component A.

Figure 1. Relationship between Sustainable Cities Program - SCP1 and SCP2





B. PDO

18. The Project Development Objective (PDO) is to improve the access to targeted municipal services in participating municipalities and utilities.

C. Project Beneficiaries

19. Beneficiaries under this project include users who will benefit from improved public service, including water and sanitation investments. Other beneficiaries will include the participating municipalities/utilities.

D. PDO-Level Results Indicators

20. PDO indicators include¹⁸

- (a) People provided with access to ‘improved sanitation services’ under the project (number) and
- (b) Additional water capacity provided to people (m³/day).

III. PROJECT DESCRIPTION

A. Project Components

21. The Project will assist cities through financing investments in infrastructure needed to meet service delivery requirements, particularly under the new MM Law of December 2012, to expand territorial service coverage and improve service quality. The expected investments focus on improvement of water and sanitation services in the areas which are included in the service area of each MM and its water and wastewater utility as required by the new MM Law.

22. The municipalities and utilities targeted for intervention in this second project (Muğla [MUSKI] and Antalya [ASAT]) in the SOP would have already developed sustainable urban development plans linked to investment prioritization/financial plans,¹⁹ or are in the process of receiving assistance in planning for sustainable urban development and in subsequently developing a capital investment plan. (Note that this could have been supported under SCP1 or by a different donor or self-financed by the municipality.)

¹⁸ The selection of these PDO indicators has been made on the presumption that the critical investments supported under this phase of the program would be in the area of expansion of water and sanitation coverage and service quality improvements based on a review of the expected investments to be included. In the case that investments beyond these sectors emerge during the final investment selection and review process by Ilbank, the results matrix would be amended accordingly.

¹⁹ As far as possible, the climate change aspects would be embedded in the sustainable urban development plans. Investment prioritization/financial tools could also possibly take into account low carbon, climate resilient, and green infrastructure.



23. Consequently, although the first project in the SOP consisted of three components, this second project consists of two components.

24. The three components of SCP1 are the following:

- (a) **Component A: Sustainable City Planning and Management Systems** aimed at supporting reforms, including policies and legislation that improve sustainable urban development planning, including TA support (i) to municipalities/utilities for planning (including urban planning and capital investment planning) and management and for the preparation of feasibility studies, environmental assessments, and engineering designs for municipal subprojects and (ii) to Ilbank for management of the grant and capacity building
- (b) **Component B: Municipal Investments**, which financed demand-driven municipal investments
- (c) **Component C:** which financed Project Management

The proposed SCP2 would comprise the following:

Component A: Municipal Investments (EUR 73.5 million; US\$91.54 million equivalent)

25. This component will finance demand-driven municipal infrastructure investments. Sectors eligible for investment include, but are not restricted to, public transport, water and sanitation, solid waste management, and energy. In the water sector, it is anticipated that the sub-borrower will be the utility company, with a guarantee provided by the municipality. The component would finance goods, works, and non-consulting and consultant services, including the hiring of local technical consultants for engineering design and construction supervision.

26. **Municipal eligibility.** The Law on Regulating Public Finance and Debt Management (Law No. 4749) restricts borrowing by any institution if it has overdue payments to the Treasury. Ilbank follows the same financial eligibility criteria for its on-lending to each municipality. Furthermore, Ilbank requires each municipality to prepare a report (in accordance with the Turkish Ministry of Development (MoD's) and Ilbank's requirements) which demonstrates the technical and financial viability of the investment so that it can be included in the public investment program managed by the Ministry of Development. Municipalities/utilities are required to provide a Municipal Executive Board/Utility Board decision stating that SCP financing would be sought for the proposed subprojects. Where the sub-borrower is a utility, a guarantee from the municipality is also required.

27. **Subproject investment eligibility.**²⁰ Eligible investments should advance the environmental, economic/financial, and social dimensions of sustainable city development as outlined in the paper 'Sustainable Cities Approach for Local Administrations' (March 2015). Subprojects should also meet a set of eligibility criteria to ensure that all investments supported under the project are financially, economically, and technically viable. They should also meet all safeguards requirements under the project. Subprojects included for financing under the project would be screened by Ilbank to ensure that

²⁰ Climate change aspects would be considered as 'favorable' in evaluating subproject eligibility.



they meet the eligibility criteria before being presented to the World Bank for review. After entering into a sub-loan arrangement between the subproject beneficiary municipality/utility, each municipality/utility will undertake the preparation of detailed engineering designs for the proposed subproject, following which each investment will be subsequently appraised by the World Bank implementation support team to ensure that it meets the criteria established in the eligibility screening framework²¹ and complies with the applicable environmental and social safeguards.

28. As part of the ‘environmentally sustainable’ eligibility criteria, climate change aspects would be considered in evaluating subproject eligibility. Environmental sustainability would therefore encompass climate mitigation and adaptation issues as well as natural disaster resilience (especially earthquake and flood resilience). Finally, the design of the investments would also meet all Turkish requirements on earthquake and flood resilience.

Table 1. Possible Proposed Investments

Antalya (ASAT)	Construction of water transmission line in Manavgat
	Construction of sewerage network in Döşemealtı
	Construction of sewerage network in Kepez
	Construction of sewerage network in Aksu and Kundu
	Construction of sewerage network in Manavgat
	Construction of submarine outfall for the existing WWTP in Manavgat
	Procurement of goods and equipment
	Procurement of water meters
Muğla (MUSKI)	Consultancy services
	Construction of Milas, Ören sewerage network, and WWTP
	Rehabilitation of Fethiye sewerage network
	Construction of small WWTPs
	Procurement of goods and consultancy services

29. A program of anticipated investments was appraised, though the final inclusion of these cities and the selection of specific investments are subject to the signing of a sub-loan with Ilbank, the preparation of final detailed designs, and the preparation of Environment Impact Assessments and Resettlement Action Plans acceptable to the World Bank and consistent with the disclosed Environmental and Social Management Framework (ESMF) and Land Acquisition and Resettlement Policy Framework (LARPF). Because the integrated urban and investment planning processes are still under preparation, the investments were also assessed as ‘no-regret’ sustainable investments. This approach is fully consistent with that used to assess investments under SCP1.

30. The 2012 MM Law (Law No. 6360) significantly expanded the boundaries of Antalya and Muğla to its provincial limits. This has allowed the MMs and their utilities to extend the formulation of policies and planning to the municipality’s respective regional and economic footprint but has also resulted in service delivery challenges. For example, in Antalya, the water utility’s service area increased tenfold, while its service population has increased by 94 percent. The result of the expansion has been an investment

²¹ This includes financial, technical, and safeguards criteria.

program that cannot be entirely financed internally by the municipality's own resources or through commercial financing.

31. Finally, the World Bank has a long history of engagement with Antalya through three different projects over the past 20 years: (a) Antalya Water Supply and Sanitation Project provided US\$100 million for water, sewerage, and institutional development from 1996 to 2004; (b) MSP provided EUR 100 million for water and sanitation investments from 2006 to 2012; and (c) MSP-AF provided a further EUR 48 million for water and sanitation investments. It also has a long engagement with Muğla: (a) MSP provided EUR 20 million and (b) SCP is providing EUR 68 million. Through this extended relationship, the municipality and its utility are very familiar with World Bank procedures and have built sufficient capacity to implement similar investments in SCP2.

Component B: Project Management (EUR 0.80 million; US\$1 million equivalent - borrower financed)

32. Ilbank will not use loan funds for this component. This component will finance goods, non-consulting and consultancy services for project management, monitoring and evaluation (M&E), and outreach and communication.

B. Project Cost and Financing

33. The proposed financing instrument for this second project in the SOP is an Investment Project Financing (IPF) loan. The instrument has proven effective in the implementation of the first of the SOP, SCP1, as well as previous projects financed by the World Bank in the sector, including the MSP and MSP-AF.

Project Components	Project Cost (EUR)	IBRD or IDA Financing (EUR)	Trust Funds (EUR)	Counterpart Funding %
Total Costs		74.30		
Component A: Municipal Investments		73.50		0
Component B: Project Management		0.80		100
Total Project Costs		74.30		
Front End Fees		0.18		
Total Financing Required		74.49		

C. Series of Project Objective and Phases

34. **This project is the second in the SOP, and the SOP approach was presented to the Board as part of SCP1 on December 20, 2016.** At the time of approval of the first operation, the SOP was determined to be the most appropriate approach to support the Government's program. The SOP approach allows for the provision of financing to a single borrower (Ilbank) for subnational lending to municipalities/utilities as sub-borrowers in a phased manner but within a consistent framework. The proposed approach allows



municipalities or a group of municipalities/utilities to access investment financing on a phased-in and demand-driven basis and at a pace consistent with their readiness and ability to meet eligibility requirements (as outlined in this PAD).

35. **As discussed within the SCP1 PAD, each subsequent project in the series was expected to target individual or groups of municipalities/utilities in ensuring improved efficiency and sustainability of service delivery.** The flexible nature of the SOP approach allows for the possibility that there is no subsequent demand for additional projects in the series. Policies and procedures applicable to individual IPF apply to each IPF in an SOP. Consequently, each project was expected to have a PAD and was expected to be appraised and negotiated and presented to the World Bank's Board of Directors for approval. As such, each project will have different loan terms, conditions, grace periods, implementation periods, and closing dates. Furthermore, the SCP SOP approach was deemed to be sufficiently flexible to expand sectorally and spatially and the scope of the SOP can be scaled up in accordance with client demand.

36. **The presentation of this second project in the SOP confirms the appropriateness of the SOP approach for the Sustainable Cities Program.** It was initially anticipated that a potential total of US\$300 million of IBRD financing for the SOP would be brought forth for approval. SCP1 used US\$132.7 million of IBRD and a co-financing amount of US\$26 million equivalent of EU-IPA financing. Total financing for SCP1 and SCP2 is estimated at approximately US\$250 million (including US\$224 million of IBRD). However, several additional municipalities have expressed interest in participating in the project and could be accommodated within the SOP through future projects.

37. The time line for completion of the SOP continues to be anticipated at 15 years. However, this could be extended should the SCP approach continue to remain relevant to Ilbank, municipalities/utilities, and other international financing institutions (IFIs). The implementation period of each operation within the SOP will be around seven years.

D. Lessons Learned and Reflected in the Project Design

38. The project benefits from the preparation and implementation experience of Ilbank gained through the ongoing SCP1, the recently closed MSP and MSP-AF, and international experience. Lessons learned that are reflected in the project design are described in the following paragraphs.

39. **International experience demonstrates that project design should be embedded in the existing Government policies and strategies to ensure ownership and validation of the project.** Consequently, this operation is guided by the Government's emphasis on sustainable delivery of local services, as articulated in its 10th Development Plan, KENTGES, the SCALA, and the MM Law, even while seeking to use and expand the implementation of these instruments to ensure comprehensive integrated planning linking spatial and infrastructure plans to investment plans.

40. **Lessons learned in other parts of the World Bank confirm that sustained engagement in a sector can foster a developmental approach that moves beyond focusing only on infrastructure financing, but this requires each engagement to build on its predecessor.** SCP2 builds mainly on SCP1, MSP, and MSP-AF, especially through the proposed SOP approach. However, it expands the World Bank engagement sectorally and spatially in that it will assist in building planning and financing capacity at the municipal



level. The SOP approach further supports the concept of sustained engagement as it envisages a 15-year horizon for the approach.

41. **Clear investment selection tools and clear rules of the game allow for successful project implementation and facilitate spatial expansion of the project.** Urban projects in the World Bank often focus on a few municipalities because of the complexity of supervision. SCP2 has been designed as an SOP with clear rules of accessing loans through subsequent projects, allowing municipalities/utilities to access investment financing on a phased-in basis and at a pace consistent with their readiness, with regard to financial sustainability, detailed designs, and availability of multiyear operation and maintenance (O&M) estimates and plans. Gradual entry of municipalities/utilities into the SCP ensures manageable supervision by Ilbank and the World Bank.

42. **Multiyear customized institutional development and TA support for utilities and MMs are required to ensure improved service delivery, O&M performance, and sustainability of investments.** Lessons from SCP1, MSP, and MSP-AF show that institutional development should be embedded in a TA program that supports the development of a comprehensive and integrated planning approach to spatial, social, environmental, and financial/capital investment planning and management.

43. **Having a strong pre-identified investment pipeline ensures project readiness that is critical for successful implementation.** Loans to financial intermediaries often run the risk of delayed disbursements, insufficient demand for World Bank funds, and/or lack of subproject readiness to ensure timely implementation during the life of the project. Furthermore, the need to have technical staff in place at the municipal level, and also financing for TA, is crucial for the preparation of quality Environmental and Social Impact Assessments (ESIAs).

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

44. Institutional and implementation arrangements build on the existing arrangement under the ongoing SCP1. Consequently, Ilbank, which is a development and investment bank that on-lends IFI loans for municipal investments, will be the implementing agency for the project. Ilbank has demonstrated its capacity for managing World Bank loans through SCP1, MSP, and MSP-AF.

45. **Project management.** A Project Management Unit (PMU) was established under the International Relations Department of Ilbank for the implementation of MSP, MSP-AF and SCP1 and this PMU will continue to implement SCP2. The PMU is led by the project director and has staff capacity in procurement, financial management, and technical sectors particularly for water, wastewater, and transport.

46. The PMU will be supported by several specialized departments within Ilbank. This includes a Project Department responsible for control and approval of technical and financial studies under the project, an Investment Appraisal Department responsible for evaluating the financial capacity of a municipality, an Infrastructure Implementation Department that can also provide support to review technical specifications as needed, and several other administrative departments such as Accounting and



Financial Affairs, Information and Technology (IT), and Banking Services. The institution also has 18 regional directorates that can monitor subproject implementation.

47. **Legal relationships, fund flow, and the control of funds.** Legal arrangements for Component A will include the following: (a) a Loan Agreement between the World Bank and Ilbank; (b) a Guarantee Agreement between Treasury and the World Bank; (c) a Guarantee Protocol between Treasury and Ilbank; and (d) Sub-loan Agreements between Ilbank and the participating municipalities/water and wastewater utilities.

48. Funds flow under the project will be overseen by the PMU. Within the scope of the project, the PMU is also responsible for ensuring World Bank compliance of procurement for goods, works, and services.

49. **Role of municipalities/utilities.** Municipalities/utilities that have been selected to participate in Component A will have to meet the sub-borrower eligibility criteria and this will be monitored by Ilbank. These municipalities/utilities will be responsible for subproject investment implementation and will set up municipal project implementation units (PIUs) to ensure adequate subproject implementation.

B. Results Monitoring and Evaluation

50. The PDO focuses on improving the access to targeted municipal services. This is measured through the first and second PDO indicators.

51. The Ilbank PMU will collect data for results indicators from the participating municipalities/utilities, monitor the quality of municipal data collection, and evaluate results. Consequently, the Ilbank PMU will review and verify the data and evaluate results before, including these results in reports to be sent to the World Bank. The PMU has experience in results' data collection through the MSP and ongoing SCP.

52. The progress on meeting these indicators and the evaluation of the data will be provided in the project progress reports, which will be submitted semiannually by Ilbank. The incremental costs for the project M&E arrangements will be part of Component B: Project Management.

C. Sustainability

53. The Government continues to place significant policy focus on improving the sustainable delivery of local services as articulated in the 10th Development Plan, KENTGES, the SCALA, and the MM Law not only to address internal challenges but also with an intent to meet EU directives. Challenges toward long-term municipal sustainability have been identified to include sprawl and the concomitant costs associated with service delivery. Consequently, addressing sprawl through spatial and infrastructure planning, municipal management, and financial management have been identified as key interventions toward supporting a more sustainable city.

54. The Program supports investments in basic services such as provision of water supply, wastewater treatment, transport, and energy. Currently, this project will likely support investments in water supply and wastewater treatment under Component A. The municipal eligibility criteria ensure that only



municipalities/utilities that meet the borrowing criteria are able to access the proposed loan financing. In addition, proposed investments must meet subproject investment criteria that include economic and financial, technical and environmental, and social criteria. Before the initial review of the subproject by Ilbank, each municipality will submit a legally mandated subproject report which includes analyses of alternatives (technology, sites, and so on); economic and financial viability, and an initial environmental analysis. These initial analyses would be complemented by the preparation of an environmental and social assessment documents and, as appropriate, Resettlement Action Plan once detailed engineering designs have been completed and the investment has been screened using the ESMF. This approach aims to contribute toward ensuring that investments are rightsized, using appropriate technology, and are not over-dimensioned to ensure sustainability.

D. Role of Partners

55. The European Commission (EC) has co-financed the Sustainable Cities Program (through Component A of SCP1) with an EU-IPA II Grant for the financing of Technical Assistance for Sustainable Planning and Management Systems. The Administrative Agreement between the World Bank and the EC was signed on March 2, 2017, and the Grant Agreement between the World Bank and the Ilbank was signed on September 28, 2017.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

56. **The overall Project risk is rated Moderate.** One of the key risks is Environmental and Social Safeguards which is rated Substantial. The risk rating reflects possible community resistance to certain investments and municipal capacity for the management of safeguards. To mitigate this risk, required ESAs and Environmental and Social Management Plans (ESMPs) will be prepared for each subproject investment and a grievance redress mechanism will be set up within the project. In addition, other citizen engagement mechanisms will also be explored during the preparation period. In addition, the municipality/utility will designate a safeguards staff to ensure that environmental and social safeguards issues are managed before and during construction. This operation is not eligible for fast-track processing.

VI. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

57. At appraisal, the economic and financial eligibility criteria developed during preparation were applied to the principal investments expected to be included under this second project in the SOP based on the expectation that ASAT (Antalya) and MUSKI (Muğla) will enter into sub-loan arrangements with Ilbank for a proposed package of investments for which studies have been submitted to Ilbank. These include construction and rehabilitation of water and sewerage networks, construction of water transmission lines for residential areas, construction of a submarine outfall for an existing wastewater treatment plant, and procurement of goods and equipment in ASAT (Antalya) and MUSKI (Muğla).



58. Methodologies for the evaluation of investments are detailed in the ‘Guidelines for the Financial Feasibility Preparation’ which is included as an annex to the operational manual (OM). The guideline outlines the expected scope and methodology of the analysis by type and size of investments, including the quantifiable benefits to be assessed and the baseline monitoring indicators to be established. Ilbank and the Ministry of Development request discount rates of 8–10 percent, and this will be included in all reports (prepared in accordance with the Turkish Ministry of Development (MoD’s) and Ilbank’s requirements) which demonstrate the technical and financial viability of the investment so that it can be included in the public investment program managed by the Ministry of Development. The social discount rate (opportunity cost of capital) of 6 percent can also be calculated, as recommended by the World Bank because of recent analytical work in this respect. Economic sensitivity analysis under a wide range of different discount rates will be performed. Investments with a positive net present value (NPV), even for very high discount rates (say 15–20 percent), are expected to deliver high social benefits exceeding the social discount rate of 6 percent.

59. An aggregate economic rate of return has not been calculated for the project as a whole. However, economic and financial analysis was undertaken on the expected investments using best estimates of costs. In Antalya, for the proposed investments, the financial net present value (F-NPV) is positive, with a discount rate of 10 percent. The internal rate of return is 39.67 percent. In Muğla, for the proposed investment, the NPV is positive with a discount rate of 10 percent and the internal rate of return is 24.4 percent.

60. Because the investments will be implemented under municipalities or affiliated utilities, which are revenue-generating entities, a baseline assessment of the financial position of the municipalities/utilities has been carried out as part of the preparation of the report (prepared in accordance with the Turkish Ministry of Development (MoD’s) and Ilbank’s requirements) which demonstrate the technical and financial viability of the investment so that it can be included in the public investment program managed by the Ministry of Development. This report is based on 2015 and 2016 data. Results indicate that the financial position of the implementing and affiliated public water utility ASAT and MUSKI are projected to achieve financial sustainability over the life of the proposed projects. This means that those entities are (a) projected to report positive operating balances (recurring operating revenues – recurring operating expenditures > 0), (b) able to fund at least part of their capital expenditure from their own funds (positive operating balance as explained above), and (c) able to close the financial year with breakeven or positive overall budget results after capital expenditure and net borrowing.

B. Technical

61. For Component A, municipal and subproject eligibility criteria have been designed. The municipal eligibility criteria proposed for the project are applied by Ilbank to all municipalities/utilities accessing financing from an IFI loan and complies with the Government of Turkey’s legal requirements. The subproject investment eligibility assumes compliance with economic and financial requirements of Ilbank and these are acceptable to the World Bank; compliance with the World Bank’s environmental and social safeguards; and technical criteria that include consideration of alternative technologies and sites. This screening approach would contribute toward ensuring that investments are rightsized, using appropriate technology, and are not over-dimensioned to ensure sustainability. To be considered for financing by Ilbank, each city is required to submit a technical study that includes an analysis of alternative technologies, a financial and economic analysis, and a preliminary environmental and social analysis so



that it can be included in the public investment program managed by the Ministry of Development. The latter would be complemented by ESIA's and plans consistent with the World Bank's safeguard policies in conjunction with the preparation of detailed engineering designs after the city or utility enters into a sub-loan arrangement with Ilbank.

62. The municipal and subproject eligibility criteria have been applied to the expected subproject investments that would be financed under this second project in the SOP. Results demonstrate that (a) the screening criteria are robust to allow appropriate due diligence, (b) Ilbank has the capacity to review municipal and subprojects on eligibility criteria, and (c) the indicative subprojects screened are also robust. The anticipated investments to be included under this second project in the SOP—namely water and sanitation, infrastructure in Antalya and Muğla—have been appraised to be appropriate investments with clear service delivery benefits.

63. As part of the 'environmentally sustainable' eligibility criteria, climate change aspects would be considered as 'favorable' in evaluating subproject eligibility. Environmental sustainability would therefore encompass climate mitigation and adaptation issues as well as natural disaster resilience (especially earthquake and flood resilience). Finally, the design of the investments would also meet all Turkish requirements on earthquake and flood resilience.

64. **Reporting and monitoring.** Every six months, Ilbank will provide a status report to the World Bank through a project progress report that will include (a) status of physical investments in each subproject; (b) status of improvements in service quality and institutional arrangements in each subproject; (c) reporting of the outcome and results indicators for each subproject; (d) procurement progress, including an updated Procurement Plan; (e) disbursements, including committed loan amounts and actual disbursements; (f) financial management; (g) status of implementing the ESMF; and (h) status of implementing the LARPF.

C. Financial Management

65. The PMU, established under the International Relations Department of Ilbank, will be responsible for project financial management arrangements. The PMU has satisfactory financial management arrangements for SCP1 and the same arrangements will be adopted for this project. As such, the project financial management systems at Ilbank are satisfactory.

66. Ilbank will on-lend to the qualifying municipalities/utilities and will provide technical support to these municipalities/utilities in identifying and appraising investments. Municipalities/utilities will be responsible for the procurement of civil work investments with full support from Ilbank. Payments to the suppliers will be registered directly by Ilbank upon submission of acceptable approval documents. The PMU in Ilbank will be responsible for the management of the Designated Account and project accounting and reporting. The project accounts will be subject to independent audit on an annual basis by the Treasury Controllers of the Undersecretariat of Treasury. The project audit report will be made publicly available according to the World Bank's Access to Information Policy.



D. Procurement

67. SCP2 will build on the existing implementation arrangements of the ongoing SCP1 and will be implemented by the participating municipalities/utilities under the coordination and support of the Ilbank PMU for Component A. The PMU will manage the procurement activities under Component B of the project.

68. The project will be implemented by using the World Bank's New Procurement Framework (NPF) and the activities under the project will follow the 'World Bank Procurement Regulations for IPF Borrowers' (July 2016) ('Procurement Regulations') that is new to the Ilbank PMU and the participating municipalities/utilities. The World Bank's Systematic Tracking and Exchanges in Procurement (STEP) system will be used to prepare, clear, and update the project's Procurement Plan and to conduct all procurement transactions of the project in line with the provisions stipulated in the Loan Agreement. The 'Project Procurement Strategy for Development (PPSD)' and the initial Procurement Plan have been developed by the implementing municipalities/utilities and the Ilbank PMU to cover procurement activities under the project.

69. The past procurement performance for the MSP-AF and the current performance under SCP1 is assessed as Moderately Satisfactory for the Ilbank PMU. For the municipalities/utilities, (a) ASAT performed satisfactorily on the MSP and MSP-AF and (b) MUSKI is currently a sub-borrower under SCP1 and is performing on a moderately satisfactory basis. Ilbank, having completed the MSP, MSP-AF, and implementing/coordinating the ongoing SCP1, is an experienced borrower, familiar with World Bank procurement procedures and contract administration.

70. The activities under SCP2 are expected to be similar to the MSP-AF and SCP1's municipal infrastructure investments, in terms of complexity, participation of the private sector, market, and procurement methods. The investments mainly include construction/rehabilitation works for water supply and wastewater networks, and wastewater treatment infrastructure. The contract packaging, complexity, bidding processes, and uncertainties identified during construction that can lead to delays/cost overruns and implementation time line of the investments require (a) initiation of the procurement-related document preparation in advance and (b) presence of a strong engineering/supervision mechanism for the project to be completed on time. The bidding/selection and implementation of the related contracts need to be managed with adequate procurement capacity. Regarding the additional workload to be brought by SCP2 to the Ilbank PMU and implementing units of ASAT and MUSKI, improvement of the procurement staffing needs to be carefully considered.

71. Based on the assessment, procurement-related project risks are briefly as follows: (a) limited familiarity of Ilbank/municipalities/utilities with the World Bank's NPF for handling procurement procedures and contract administration; (b) limited staffing capacity of the participating municipalities/utilities to initiate/conclude the procurement processes for the contracts planned to be signed at early stages of the project and their coordination/management during implementation; (c) procurement transactions on high-volume contracts expected at very early phases of implementation; and (d) potential delays in implementation of contracts with regard to deviation from the original work schedules and cost overruns that may or may not be directly connected to contractor/supplier/consultant's performance.



72. The proposed mitigating measures aim to ensure that (a) regular support/advice is provided by the World Bank and the Ilbank PMU to the participating municipalities/utilities; (b) procurement staff capacity is maintained/improved for the Ilbank PMU and capacity is improved for the participating municipalities/utilities to accommodate the timely procurement of high-value contracts; (c) the preparation of requests for bids/requests for proposals, together with the technical specifications and terms of references (TORs), are initiated for the first high-value consulting services, works, and supply and installation (S&I) contracts; (d) regular supervision and implementation support missions are conducted together with the training activities when needed; (e) technical specifications, TORs, designs, and bill of quantities are run through quality check; and (e) contract management tools are effectively used by the Ilbank PMU and the participating municipalities/utilities to supplement the M&E function.

73. The prior review thresholds and procurement methods to be applied will be set out in the Procurement Plan of the project. Those packages not previously reviewed by the World Bank will be subject to *ex post* review on a random basis in accordance with the procedures set forth in paragraph 4 of the World Bank Procurement Regulations. More details on the findings of the procurement assessment, the proposed procurement monitoring arrangements, the risks, and relevant mitigation measures to address them are provided in Annex 2.

E. Social (including Safeguards)

74. **Social impacts.** The anticipated social impacts include temporary and permanent land acquisition that may lead to economic displacement. Physical resettlement is not expected. A range of potential subproject-specific social impacts were identified for the types of investments expected under the project, including land acquisition, resettlement, interruption of daily activities and services, community safety issues caused by construction activities, possible livelihood impacts on agricultural land and fisheries due to the construction of deep-sea outfall, and nuisance related to odors and discharge of treated wastewater. Subject to the final detailed engineering designs and the preparation of ESIA and social safeguard documents (including Land Acquisition Resettlement Action Plans [LARAPs] as may be required), municipalities/utilities would be required to address these issues promptly and take measures to minimize potential negative impacts in compliance with the World Bank's safeguards policies.

75. **Safeguard policies.** The project may involve land acquisition and related impacts which trigger OP/BP 4.12 (Involuntary Resettlement). Both the relevant Turkish legislation and World Bank OP 4.12 will be followed. In cases where there are gaps between the legal regimes, measures will be taken to meet the standards set in OP 4.12.

76. In accordance with the World Bank's OP 4.12, an LARPF has been prepared by Ilbank. The LARPF outlines the expropriation procedures for land acquisition in Turkey, the World Bank's policy on Involuntary Resettlement, OP 4.12, a gap analysis, and steps to bridge these gaps and institutional responsibilities. The LARPF stipulates that the requirements of OP 4.12 will be met and that the LARPF, acceptable to the World Bank, will be followed in any land acquisition discussion. The final LARPF has been consulted with stakeholders on January 12, 2018, and re-disclosed on Ilbank's website and sent to the World Bank's external website on January 19, 2018. Subproject affected stakeholders will be consulted for all site-specific environmental and social documents prepared for each subproject according to the process defined in the ESMF and LARPF.



77. **Citizen engagement and grievance redress mechanism (GRM).** The project tackles core municipal investments and services such as water and sanitation that citizens expect municipalities to provide. ASAT has a well-developed and actively running GRM. The majority (95 percent) of the grievances are received through a hotline (#185) and the rest are received through e-mail, formal letters, Prime Ministry Communications Center, Presidency Communications Center, and Antalya MM Communications Center. The system is expected to allow for separate follow-up and monitoring of grievances for SCP investments. Furthermore, ASAT has recently established a WhatsApp line to inform its end users. Announcements on investments are made through the official website of both ASAT (Antalya) and MUSKI (Muğla). Brochures and text messages are also used to communicate information to the community.

78. SCP2 aims to establish a mechanism to differentiate the SCP2 subproject-related grievances. Any grievance related to a subproject financed under SCP2 will be first logged at the municipality/utility level and will be directed to the relevant department within ASAT and then addressed. The World Bank suggests that all community engagement activities and GRM-related issues are also reflected in the site-specific environmental and social assessment documents and project progress reports.

79. To comply with OP 4.12 and to reduce the cases of litigation, the municipalities and municipal water and wastewater utilities will establish a Grievance Committee (GC) if there is an LARAP according to the disclosed LARPF. The GC is not a legal entity and can only address issues related to compensation amount, entitlement issues, and problems which may come up during the processes of land acquisition and resettlement, among other things. The GCs will include representatives from the municipalities/utilities and representatives of the affected people. The representative will be chosen from the community that will be affected by the project in a participatory, accessible, and transparent manner. The GC would try to work with the affected party to solve the issues brought to the committee through negotiation and reaching an agreement with the affected parties to avoid or minimize, to the extent possible, the need for involvement of the formal channels such as courts for dispute resolution. Information on the GC will be included in the LARAPs.

80. **Gender.** Internationally, women and men experience cities differently because of their gender-based roles and responsibilities, including the nature of their participation in the labor market and domestic tasks. Internationally, women are the primary collectors, transporters, and managers of domestic water and fuel, as well as the promoters of home and community sanitation activities. Women also play a primary role in waste disposal and environmental management. Women in cities depend more heavily on public transport than men and use transport in different ways, such as off-peak travel and trip chaining to multiple destinations. Thus, male and female priorities are often not the same for basic services such as urban housing, water and sanitation, solid waste management, and public transport.²² Consequently, gender-disaggregated data will be collected at all levels. Regarding land and compensation issues, it will be ensured that women landowners receive compensation in accordance with the national legislation. Finally, construction activities will take into consideration principles of universal design to ensure access to persons with disabilities.

F. Environment (including Safeguards)

²² World Bank. 2010. "Making Urban Development Work for Men and Women." Tools for Task Team.



81. In accordance with the World Bank’s environmental and social safeguards policies, Ilbank has prepared an ESMF, integrated with the Regulation on Environmental Impact Assessment (EIA) (henceforth, ‘EIA Regulation’) and the World Bank’s Operational Policy for Environmental Assessment (OP 4.01) for the project. English and Turkish versions of the draft ESMF were disclosed both on Ilbank’s website (November 6, 2017) and on the World Bank’s external website (November 7, 2017). During the disclosure period, Ilbank also organized a consultation meeting on January 12, 2018, with the participating municipalities and other relevant stakeholders to provide general information about SCP2 and to discuss the critical elements of the ESMF. The ESMF was finalized by taking the feedback of the stakeholder consultation into consideration and the final version was re-disclosed on the client’s website and sent to the World Bank’s external website on January 19, 2018.

82. The ESMF outlines the scope of a comprehensive environmental and social management approach for acknowledging the potential environmental and social impacts of the project and provides technical inputs and guidance from an environmental and social management perspective. It also guides the sub-borrowers on the requirements for meeting the World Bank’s safeguards standards, which were triggered during the appraisal stage. Consequently, the application and implementation of the ESMF will guide the integration of social and environmental aspects into the decision-making process of all stages related to planning, design, execution, and O&M of subprojects, by identifying, preventing, and/or minimizing adverse social and environmental impacts early in the project cycle. The ESMF also guides Ilbank and the sub-borrowing municipalities on the preparation of environmental and social assessment documents for the subprojects in accordance with their risk categories. Finally, it describes the required subproject (site)-specific public consultation and environmental and social assessment document disclosure principles.

83. Because the precise footprint of the investments and the final designs of the subprojects will only be completed subsequent to sub-loan signing, the ESMF and LARPF are the key safeguards documents which have been appraised.

84. The World Bank Operational Policies triggered for the project include Environmental Assessment (OP 4.01), Physical Cultural Resources (OP 4.11), Involuntary Resettlement (OP 4.12), and Natural Habitats (OP 4.04). The latter is triggered to allow the World Bank the opportunity to assess the biodiversity and proposed activities in proximity to or in natural habitats. The ESMF states that activities will be ineligible if they are assessed to have any significant impact on critical habitats. With regard to the policy on ‘Projects on International Waterways (OP 7.50)’, Ilbank is responsible for ensuring that the subprojects financed are located and dependent on national waterways only. The waterways identified as not international waterways (do not trigger OP 7.50) in Turkey are the following: Susurluk, North Aegean, Gediz, Kuçuk Menderes, Buyuk Menderes, Western Mediterranean, Antalya, Sakarya, Western Black Sea, Yesilirmak, Kizilirmak, Konya Kapali, Eastern Mediterranean, Seyhan, Ceyhan, Eastern Black Sea, Burdur, Afyon, Orta, Anadolu, and Van. For the policy on Involuntary Resettlement (OP 4.12), Ilbank prepared a separate document (LARPF) for which the details are provided in the section on Social Impacts.

G. World Bank Grievance Redress

85. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly



reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY : Turkey
Sustainable Cities Project 2

Project Development Objectives

The Project Development Objective is to improve the access to targeted municipal services in participating municipalities and utilities.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: People provided with access to improved sanitation services	✓	Number	0.00	268000.00	Annual	Reports from PIU	Municipal PIUs and Ilbank PMU
People provided with access to improved sanitation services - Female (RMS requirement)	✓	Number	0.00	134000.00	Annual	Reports from PIU	Municipal PIUs and Ilbank PMU



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
People provided with access to improved sanitation services - rural	✓	Number	0.00	0.00			
People provided with access to improved sanitation services - urban	✓	Number	0.00	268000.00			
<p>Description: The indicator measures the cumulative number of people who benefited from improved sanitation facilities that have been constructed through operations supported by the World Bank.</p>							

Name: Additional water capacity provided (m3/d)		Cubic Meter(m3)	0.00	225000.00	Yearly	Reports from PIU	Municipal PIUs and Ilbank PMU
<p>Description: This indicator measures the amount of water from which people benefited from as a result of the water supply facilities constructed under the project. The baseline value is expected to be zero.</p>							

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Length of water pipes laid under the project (progress indicator)		Kilometers	0.00	36.00	Annual	Reports from PIU	Municipal PIUs and Ilbank PMU



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
(kilometers)							
Description: This indicator measures the cumulative length of water pipes laid under the project. The baseline value is expected to be zero.							
Name: Length of sewerage pipes laid under the project (progress indicator)		Kilometers	0.00	333.00	Annual	Reports from PIU	Municipal PIUs and Ilbank PMU
Description: This indicator measures the cumulative length of wastewater pipes laid under the project. The baseline value is expected to be zero.							
Name: Number of water utilities that the project is supporting		Number	0.00	2.00	Annual	Reports from PIU	Municipal PIUs and Ilbank PMU
Description: Total number of utilities with which the World Bank is working under the project.							
Name: Direct project beneficiaries		Number	0.00	414000.00	Annual	Reports from PIU	Municipal PIUs and Ilbank PMU
Description: Direct beneficiaries are people or groups who directly derive benefits from an intervention. This indicator is calculated as a number.							
Name: Female beneficiaries		Number	0.00	207000.00		Reports from PIU	Municipal PIUs and Ilbank PMU



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: Based on the assessment and definition of direct project beneficiaries who are female.							
Name: Grievances registered related to delivery of project benefits addressed (%)		Percentage	0.00	85.00	Biannual	Reports from PIU	Municipal PIUs and Ilbank PMU
Description: This indicator measures the transparency and accountability mechanisms established by the project so the target beneficiaries have trust in the process and are willing to participate, and they feel that their grievances are attended to promptly. Grievance system will track all grievances. However, the indicator will exclude the grievances that require third-party assessment and seasonality.							
Name: Number of deep sea discharge lines constructed under the project		Number	0.00	1.00			
Description: This indicator defines the number of deep sea outfall lines constructed under the project.							



Target Values

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	YR7	End Target
People provided with access to improved sanitation services	0.00	0.00	27000.00	126000.00	198000.00	234000.00	252000.00	268000.00	268000.00
People provided with access to improved sanitation services - Female (RMS requirement)	0.00	0.00	13500.00	63000.00	99000.00	117000.00	126000.00	134000.00	134000.00
People provided with access to improved sanitation services - rural	0.00								0.00
People provided with access to improved sanitation services - urban	0.00	0.00	27000.00	126000.00	198000.00	234000.00	252000.00	268000.00	268000.00
Additional water capacity provided (m3/d)	0.00	0.00	0.00	0.00	0.00	112000.00	225000.00	225000.00	225000.00

Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
Length of water pipes laid	0.00	0.00	0.00	9.00	22.00	32.00	36.00	36.00			36.00



Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
under the project (progress indicator) (kilometers)											
Length of sewerage pipes laid under the project (progress indicator)	0.00	0.00	117.00	243.00	315.00	333.00	333.00	333.00			333.00
Number of water utilities that the project is supporting	0.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00			2.00
Direct project beneficiaries	0.00	0.00	81000.00	198000.00	279000.00	365000.00	414000.00	414000.00			414000.00
Female beneficiaries	0.00	0.00	40500.00	99500.00	139500.00	183500.00	207000.00	207000.00			207000.00
Grievances registered related to delivery of project benefits addressed (%)	0.00	0.00	80.00	80.00	82.00	82.00	85.00	85.00			85.00
Number of deep sea discharge lines constructed under the project	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00



ANNEX 1: DETAILED PROJECT DESCRIPTION

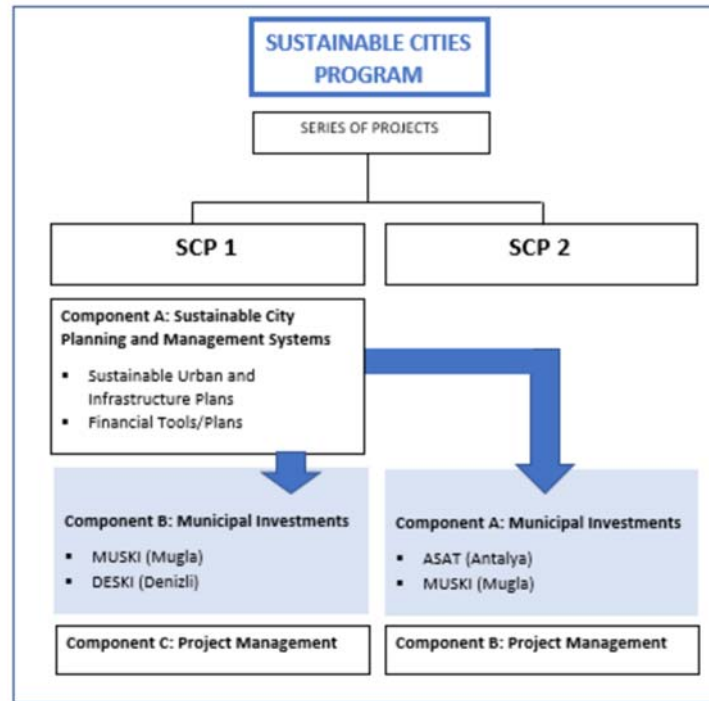
TURKEY: Sustainable Cities Project 2

Project Components

1. The proposed project is the second in the Sustainable Cities Program's SOP. The Sustainable Cities Program is premised on municipalities/utilities undertaking comprehensive and integrated planning (including spatial, social, environmental, and infrastructure planning) to identify investments for sustainable urban development and subsequently prioritize these investments through a prioritization tool.
2. The SOP approach provides financing to a single borrower (Ilbank) for subnational lending to municipalities/utilities that are interested in a sustainable cities approach to municipal development but also allows municipalities/utilities or a group of municipalities/utilities to access investment financing on a phased-in basis and at a pace consistent with their readiness and ability to meet eligibility requirements under the Sustainable Cities Program. Consequently, financing for prioritized investments for sustainable urban development will be accessed under this second project in the SOP (through Component A) or under subsequent projects that may be supported by the World Bank, other IFIs, or domestic financiers, including Ilbank. The SOP approach also allows Ilbank and the World Bank to expand the sustainable cities approach both sectorally and spatially.
3. The preparation of the Sustainable Cities Program was guided by international best practice on sustainable cities, which was then integrated with Turkish Policy/Legislation. Internationally, sustainable development has been defined by the Brundtland Commission as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Consequently, a sustainable city is one that makes choices wisely with the aim of using natural resources in the most efficient ways. Sustainable cities typically feature three essential traits: (a) the city takes a forward-looking approach to city development so that in addition to problem solving and 'reacting' to challenges as they arise, a sustainable city is equipped with information, analysis, and a strategy for responding to changes that are inevitable over time; (b) it takes a long-term approach to planning and investing in its services to citizens to avoid random urban land expansion, urban sprawl, and the costly provision of infrastructure in areas that are not planned for expansion; and (c) it has ready access to information, data, and analysis to effectively plan and make informed policy and investment decisions in an integrated and holistic way.



Figure 1.1. Relationship between Sustainable Cities Program, SCP1 and SCP2



4. The Program was also guided by a methodological understanding of integration, that is, integration is a practice of municipal management that should occur through an interdisciplinary approach to planning and integrating the three pillars of sustainable development, aligning and integrating larger-scale plans with lower-level plans, strengthening MM and district municipality cooperation and governance, engaging civil society in developing plans and strategies, outlining the fiscal implications of plans and incorporating these into prioritization of investments, and developing meaningful and practical indicators to monitor progress toward sustainable development practices.

5. Finally, the design of the project components was guided by Turkish Government policy and legislation, including the following:

- (a) **KENTGES (2010–2023)**, which outlines urbanization strategies and action plans regarding “planning system, transportation and infrastructure, housing, transformation, disaster preventions, protection of natural and cultural properties, climate change, energy efficiency and renewable resources, settlements and ecology, migration and social politics, economic consolidation and participation.”²³
- (b) **A paper on ‘Sustainable Cities Approach for Local Administrations’**, which recognizes three dimensions of sustainability (environmental, economic/financial, and social) most relevant for Turkish cities and also identifies spatial, environmental, and financial planning instruments that are part of a comprehensive and integrated planning process that would

²³ Minister Mustafa Demir Foreword, page iii, KENTGES.



move cities along a sustainability spectrum from planned to healthy and finally to smart cities²⁴ (see table 2.1).

- (c) **Turkish Legislation on territorial planning.** Including spatial planning, with its emphasis on integrating economic, social, and environmental factors offer a strategic approach for shaping territorial development at the metropolitan scale (1/25,000). Development planning through Master Development Plans (1/5,000) and control of building development and land uses through Application Development Plans (1/1,000) will continue to play a role in shaping the built environment.

6. The Program is thus designed to support MMs pursue these aims to promote forward-looking, long-term, and informed city planning and development through the three different dimensions—environmental sustainability, financial sustainability, and social sustainability—identified as important for Turkish cities.

7. The municipalities and utilities targeted for intervention in this second project in the SOP are in the process of receiving assistance in planning for sustainable urban development and in subsequently developing prioritized investments. (Note that this could have been supported under SCP1: Component A or by a different donor or self-financed by the municipality).

8. Consequently, although the first project in the SOP consisted of three components, this second project in the series is likely to consist of two components.

9. The three components of SCP1 are the following:

- (a) **Component A: Sustainable City Planning and Management Systems** aimed at supporting reforms, including policies and legislation that improve sustainable urban development planning including TA support (i) to municipalities/utilities for planning (including urban planning and capital investment planning) and management and for the preparation of feasibility studies, environmental assessments and engineering designs for municipal subprojects and (ii) to Ilbank for management of the grant and capacity building
- (b) **Component B: Municipal Investments**, which financed demand-driven municipal investments
- (c) **Component C**, which financed Project Management.

10. The proposed SCP2 would comprise the following:

Component A: Municipal Investments (EUR 73.5 million; US\$91.54 million equivalent)

11. This component will finance demand-driven municipal infrastructure investments. Sectors eligible for investment include, but are not restricted to, public transport, water and sanitation, solid waste

²⁴ Prepared by a working group established under the Undersecretary of Ministry of Environment and Urbanization and consisting of representatives of Undersecretariat of Treasury, Ministry of Development, Ministry of Environment and Urbanization (Spatial Planning, Infrastructure and Urban Transformation Services, and Environmental Management Directorates), and Ilbank.



management, and energy. In the water sector, it is anticipated that the sub-borrower will be the utility company, with a guarantee provided by the municipality. It is expected that ASAT (Antalya MM) and MUSKI (Muğla MM) will participate in the second project of the SOP, and an expected program of investments in these cities has been identified based on technical studies prepared by the cities and submitted to Ilbank for assessment of their eligibility to participate based on Turkey's public finance legal and regulatory framework. This component would finance goods, works, non-consulting and consultancy services (including the hiring of local technical consultants for engineering design and construction supervision) for targeted infrastructure investments in the participating municipalities/utilities. In the water sector, it is anticipated that the sub-borrower will be the utility company, with a guarantee provided by the municipality. Under this second project in the SOP, identified investments are 'no regret' investments that demonstrate financial, environmental, and/or social sustainability.

12. **Municipal eligibility.** The Law on Regulating Public Finance and Debt Management (Law No. 4749) restricts borrowing by any institution if it has overdue payments to the Treasury. Ilbank follows the same financial eligibility criteria for its on-lending to each municipality. Furthermore, Ilbank requires each municipality to prepare technical studies which demonstrate the technical and financial viability of the investment so that it can be included in the public investment program managed by the Ministry of Development. Municipalities/utilities are required to provide a Municipal Executive Board/Utility Board decision stating that SCP financing would be sought for the proposed subprojects. Where the sub-borrower is a utility, a guarantee from the municipality is also required.

13. **Subproject eligibility.** Eligible investments should advance the environmental, economic/financial, and social dimensions of sustainable city development as outlined in the paper on 'Sustainable Cities Approach for Local Administrations' (March 2015). Subprojects should also meet a set of eligibility criteria to ensure that all investments supported under the program are financially, economically, and technically viable. They should also meet all safeguards requirements under the project. Subprojects included for financing under the program would be screened by Ilbank to ensure that they meet the eligibility criteria before being presented to the World Bank for review. After entering into a sub-loan arrangement between the subproject beneficiary municipality/utility, each municipality/utility will undertake the preparation of detailed engineering designs for the proposed subproject, following which each investment will be subsequently appraised by the World Bank implementation support team to ensure that it meets the criteria established in the eligibility screening framework²⁵ and complies with the applicable environmental and social safeguards.

14. During preparation, the World Bank worked closely with Ilbank to develop a set of eligibility criteria to ensure that all investments supported under this project are financially, economically, and technically viable.

15. A subproject will be eligible to receive loans provided it (a) offers an environmental benefit, (b) meets the economic viability as outlined in this PAD, (c) uses a technology choice that is appropriate and that responds to beneficiary need, and (d) offers an affordable level of services.

16. Initial subproject technical, financial, and economic viability is demonstrated through a technical study, submitted to Ilbank as a legal requirement in Turkey or inclusion in the public investment plan,

²⁵ This includes financial, technical, and safeguards criteria.



which outlines the overarching viability of the investment. After a review by Ilbank and the World Bank and subsequent to the signing of a sub-loan arrangement, each subproject will be evaluated to ensure compliance with the World Bank social and environmental safeguards based on detailed engineering designs.

17. As part of the ‘environmentally sustainable’ eligibility criteria, climate change aspects would be considered in evaluating subproject eligibility. Environmental sustainability would therefore encompass climate mitigation and adaptation issues, as well as natural disaster resilience (especially earthquake and flood resilience). Finally, the design of the investments would also meet all Turkish requirements on earthquake and flood resilience.

18. **Current status of municipal and subproject eligibility.** The pool of municipalities/utilities for SCP 2 was created through several actions taken by Ilbank starting from the preparations of SOP 1. To this aim, Ilbank has undertaken demand surveys and organized workshops and meetings. Ilbank and the World Bank jointly visited the municipalities for detailed technical discussions on the proposed subprojects.

19. Currently, Antalya Municipality and its corresponding utilities (ASAT) and Muğla Municipality and its utility (MUSKI) have met municipal eligibility criteria. Furthermore, their proposed subprojects (a) were assessed positively in terms of contribution to sustainability of services in the sector; (b) included an acceptable technical study or other strategic framework to support proposed investment; (c) included a preliminary assessment of the city’s proposed investment in terms of technical appropriateness, need for investment, forecast demand, cost, and financial sustainability; and (d) met initial screening requirements for environmental and social aspects, subject to the future review and appraisal of environmental and social safeguards documents consistent with the ESMF and the LARPF.

20. The possible proposed investments are provided in table 2.1 and discussed in the following paragraphs.

Table 1.1. Possible Proposed Investments

ASAT (Antalya)	Construction of water transmission line in Manavgat
	Construction of sewerage network in Döşemealtı
	Construction of sewerage network in Kepez
	Construction of sewerage network in Aksu and Kundu
	Construction of sewerage network in Manavgat
	Construction of submarine outfall for the existing WWTP in Manavgat
	Procurement of goods and equipment
	Procurement of water meters
	Consultancy services
MUSKI (Muğla)	Construction of Milas, Ören sewerage network, and WWTP
	Rehabilitation of Fethiye sewerage network
	Construction of small WWTPs
	Procurement of consultancy services

21. Proposed investments, which cover construction of water transmission lines, wastewater networks and wastewater infrastructure in several districts of Antalya, are anticipated to improve environmental, financial, and economic sustainability of Antalya because the respective districts



(Manavgat, Kepez) host high number of tourists in summer. The proposed subproject will be implemented by Antalya MM Water and Wastewater Utility (ASAT).

Component B: Project Management (EUR 0.80 million; US\$1 million equivalent - borrower financed)

22. Ilbank will not use loan funds for this component. It will finance goods and consultants' services for M&E, outreach, and communication.



ANNEX 2: IMPLEMENTATION ARRANGEMENTS

TURKEY: Sustainable Cities Project 2

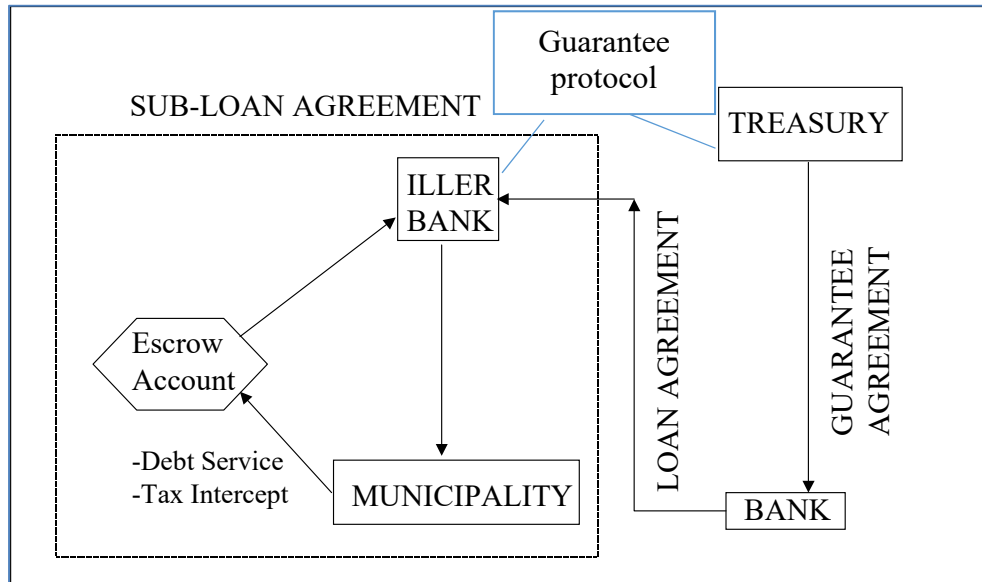
Project Institutional and Implementation Arrangements

Project Administration Mechanisms

1. Institutional and implementation arrangements build on the existing arrangements under the ongoing SCP1 and the previous MSP and MSP-AF. Consequently, Ilbank, which is a development and investment bank with a mandate of on-lending IFI loans for municipal investments, will be the implementing agency for the project. Ilbank has demonstrated its capacity in managing World Bank loans through SCP1, the MSP, and MSP-AF.
2. **Project management.** A PMU was established under the International Relations Department of Ilbank for the implementation of the MSP and this PMU will continue to support SCP2. The PMU is led by the project director and has staff capacity in procurement, financial management, and technical sectors, particularly for water and wastewater and transport.
3. The PMU will be supported by several specialized departments within Ilbank. This includes a Projects Department responsible for control and approval of designs; an Investment Appraisal Department responsible for evaluating the financial capacity of a municipality; an Infrastructure Implementation Department that can also provide support to review technical specifications as needed and several other administrative departments such as Accounting and Financial Affairs, IT, and Banking Services. The institution also has 18 regional directorates that can monitor subproject implementation.
4. The implementation arrangement of Component A is presented in figure 3.1. Legal arrangements for Component A will include the following: (a) a Loan Agreement between the World Bank and Ilbank, (b) a Guarantee Agreement between Treasury and the World Bank, and (c) Sub-loan Agreements between Ilbank and the participating municipalities/utilities. The project OM will provide guidance to Ilbank on the use of loan funds and reporting arrangements.



Figure 2.1. Project Scheme



5. For Component A, to secure debt service, according to the law on Regulating Public Finance and Debt Management (Law No. 4749), Ilbank will require municipalities/utilities to deposit the interest and principal repayments into an escrow account. Ilbank will monitor the funds in the escrow account to service the World Bank loan. According to the law, Ilbank is also authorized to use the tax intercept as a collateral for a sub-loan.

6. **Technical and financial reports, designs, and construction supervision under Component A.** The reports of the proposed investments will be reviewed and approved by Ilbank and the Ministry of Development. However, MMs/utilities are authorized to approve the design of their respective subproject investments according to the existing regulations, though all financing is contingent upon the World Bank's review of safeguards documents (ESIAs, ESMPs, and LARAPs, as appropriate) consistent with the provisions of the ESMF. To avoid conflict of interest, Ilbank will not carry out the construction supervision of contracts between the municipalities/utilities and the contractors. Rather, construction supervision will be performed by independent consultancy firms/independent consultants as needed. Ilbank's regional offices²⁶ will monitor the subproject progress monthly and will prepare monitoring reports. Consequently, regional directorates will support the PMU by providing relevant information on time and coordinating with the municipalities/ utilities.

7. Ilbank will provide project implementation support for the Sub-loan Agreements. In accordance with the Sub-loan Agreement, the municipalities/utilities will carry out the following:

- Manage and implement the subproject in a sound technical and financial manner, including management of the procurement process, certification of payments from consultants and

²⁶ Ilbank has an extensive regional representation through its 18 Regional Directorates where 55 percent of its staff is located.



contractors, and construction supervision with the assistance of construction supervision consultants where required.

- Implement the ESMF in a satisfactory manner, including environmental activities during project preparation and implementation involving appropriate level of public consultation and information disclosure.
- Implement the LARPF in a satisfactory manner.
- Provide necessary technical and financial information, including collection and monitoring of results data, to Ilbank on time.
- Set up an escrow account in which amounts that correspond to six months of debt service will be deposited 15 days before their due date to repay Ilbank and the latter will have the right to intercept tax transfers to make the repayment of the sub-borrower if the escrow account balance is insufficient.

8. To assist in undertaking these responsibilities, the PIUs will be set up at the municipal/utility level to manage subproject implementation. The PIUs will be staffed by municipal employees. However, the PIUs could be supplemented by individual consultants as deemed necessary. In general, the municipalities/utilities have staff on hand who can manage all aspects of subproject implementation.

Financial Management, Disbursements, and Procurement

Financial Management

9. The PMU, established under the International Relations Department of Ilbank, will be responsible for financial management arrangements for the project. The PMU has satisfactory financial management arrangements for SCP1 and the same arrangements will be adopted for SCP2.

10. For Component A, Ilbank will on-lend to the qualifying municipalities/utilities and will provide technical support to these municipalities/utilities in identifying and appraising investments. Municipalities/utilities will be responsible for the procurement of civil work investments with full support from Ilbank. Payments to the suppliers will be registered directly by Ilbank upon submission of acceptable approval documents. The PMU will be responsible for the management of the Designated Account and project accounting and reporting.

11. **Staffing.** The PMU at Ilbank has a dedicated financial management unit. It is currently staffed with four persons, whose qualifications and experience are satisfactory to the World Bank. The PMU staff have worked on the implementation of the original MSP and MSP-AF and are currently working for SCP1, and this experience will be used in the implementation of the SCP.

12. **Accounting policies and procedures.** Ilbank has a web-based information system (IL_BIS) that links all departments of the institution, allowing them to execute, monitor, and report using the same data source. All the regional offices are also connected to the central IL_BIS. Project accounting for SCP1 was integrated into this system through the use of subaccounts that were created under Ilbank's main



chart of accounts. The PMU staff prepare the payment orders, and the entries into Ilbank's main accounting system are made by the staff of the Accounting Department. The quarterly unaudited interim financial reports (IFRs) are also generated automatically through the system. SCP2 will rely on the same systems as SCP1 and the accounting and reporting for the project will be fully integrated into the IL_BIS. Ilbank will make the necessary modifications/additions to the IL_BIS and these arrangements are expected to be in place before project effectiveness.

13. Ilbank has robust systems, manuals, and guidelines regulating the internal control environment. The accounting and reporting systems at Ilbank are geared toward producing statements and information as required by Turkish laws and regulations. However, Ilbank has also developed and executed specific internal control procedures for the implementation of SCP1 and the same internal control procedures will be adopted for SCP2. These procedures are clearly outlined in the OM, which is available on Ilbank's website.

14. SCP2 will disburse through Sub-loan Agreements between Ilbank and the qualifying municipalities/utilities. The municipalities/utilities will be responsible for the tendering of all works. However, Ilbank will supervise and monitor the overall process through the PMU. The procurement group of the PMU will receive copies of all bidding documents. The regional offices of Ilbank will provide technical monitoring support for civil works construction. The municipalities/utilities will submit payment requests prepared by consultancy companies, contractors, or suppliers to the PMU in accordance with the Sub-loan Agreements. After verifying that all documentation is complete, the financial management unit of the PMU will prepare the payment order, following which the payment will be made from the Designated Account to the contractor's bank account. The allocated sub-loan will be used only for expenditures incurred under the subproject.

15. The PMU uses detailed checklists that are completed and signed by the relevant staff before processing payments. The checklists include financial controls on advance payments made for works in progress, financial controls on payments to individual consultants and corporate consultants, financial controls on works progress payments, and financial controls on goods purchases. These checklists will also be used for SCP2, with a few modifications, as needed.

16. **Internal audit.** Ilbank has an Inspection Department and an Internal Control Department. The Inspection Department conducts an annual audit of every department's transactions including those of the International Relations Department. The Internal Control Department also conducts a review of the systems regularly. There have not been any serious issues related to the past projects implemented by Ilbank (MSP and MSP-AF).

17. **External audit.** Annual project financial statements (PFSs) for the project and Ilbank financial statements will be subject to independent audit by auditors that are acceptable to the World Bank. Ilbank has been submitting audited entity PFSs to the World Bank for the MSP and MSP-AF. Ilbank's entity financial statements, prepared in accordance with International Financial Reporting Standards, have been audited by private sector auditors in accordance with International Auditing Standards. The audited entity financial statements had unqualified (clean) audit opinions for the last three years. Ilbank additionally prepares financial statements for the project, which are audited by the Treasury Controllers who are government auditors responsible for the audit of the World Bank-financed projects implemented by



government institutions. The PFSs for the MSP and MSP-AF were received on time and include unqualified (clean) audit opinions as well. No material issues were identified in the Management Letter.

18. Under SCP2, Ilbank will be required to submit its audited entity financial statements prepared in accordance with International Financial Reporting Standards. Ilbank will be the borrower for the loan and will on-lend to the municipalities/utilities. The municipalities/utilities are required, according to their Sub-loan Agreements with Ilbank, to repay the loans to Ilbank. However, Ilbank is responsible for the repayment of the loan to the World Bank irrespective of the repayments made by the municipalities/utilities. The viability of Ilbank financial statements, therefore, will be monitored annually through the audited entity financial statements. Ilbank will also submit PFSs to the World Bank, together with the entity financial statements, within six months following the year end.

19. The PFSs are required to be made publicly available in accordance with the World Bank guidelines. The PFSs, together with the auditor opinion, would be publicly disclosed in a manner acceptable to the World Bank.

20. Table 3.1 identifies the audit reports and their due dates.

Table 2.1. Audit Reports and Due Dates

Audit Report	Due Date
Entity financial statements	Within six months after the end of each calendar year and also at the closing of the project
PFSs, including statement of expenditures (SOEs) and the Designated Account	Within six months after the end of each calendar year and also at the closing of the project

21. Currently, the financial statements prepared by the municipalities/utilities are not subject to any independent external audit apart from the annual audit conducted by the Turkish Court of Accounts, the supreme audit institution in Turkey.

22. **Reporting and monitoring.** Every six months, Ilbank will provide a status report to the World Bank through a project progress report that will include the following:

- **Project summary.** (a) status of physical investments in each subproject, (b) status of improvements in service quality and institutional arrangements in each subproject, and (c) reporting of the outcome and results indicators for each subproject
- **Fiduciary/safeguard.** Summary information on (a) procurement progress, including an updated Procurement Plan; (b) disbursements, including committed loan amounts and actual disbursements; (c) financial management; (d) status of implementing the ESMF; and (e) status of implementing the LARPF
- **Comments.** Any special concerns or suggestions to streamline project implementation

23. Every three months, Ilbank will provide unaudited IFRs and a Procurement Plan to the World Bank. The formats of the IFRs have been agreed upon. Ilbank will also submit the audited PFSs annually within six months following the year end.



Disbursements

Funds Flow and Disbursement Procedures

24. The project will use the traditional disbursement method through the use of a Designated Account that will be opened at a public commercial bank. All payments to the contractors, suppliers, and consultants will be made directly, either from the loan account or from the Designated Account.

25. The minimum application size for payments directly from the loan account, reimbursements, and for the issuance of special commitments will be described in the disbursement and financial information letter. All expenditures/contracts financed through the Designated Account will be documented for the World Bank using SOEs. Full documentation in support of SOEs, including completion reports and certificates, will be retained by Ilbank for at least two years after the World Bank has received the audit report for the fiscal year in which the last withdrawal from the loan account was made. This information will be made available for review during supervision visits by the World Bank staff and for annual audits.

Procurement

26. **Procurement risk assessment.** SCP2 will build on the existing implementation arrangements of the ongoing SCP1. The Ilbank PMU will carry the responsibility for the overall coordination and proper implementation of the project and will handle the implementation of procurement activities under Component B. Participating municipalities/utilities will be responsible for the procurement arrangements related to their sub-loans under Component A of the project.

27. **Past performance.** The past procurement performance for the MSP-AF and the current performance under SCP1 is assessed as Moderately Satisfactory for the Ilbank PMU. For the participating municipalities/utilities, (a) ASAT participating in the MSP and MSP-AF has a track record for the timely completion of the sub-loan and (b) MUSKI's performance under SCP1 is moderately satisfactory. Ilbank, having completed the MSP, MSP-AF, and implementing/coordinating the ongoing SCP1, is an experienced borrower, familiar with the World Bank procurement procedures and contract administration.

28. **Staffing.** The Ilbank PMU's procurement team consists of two Ilbank staff with considerable and valuable experience in the World Bank's procurement processes and in providing support to municipalities/utilities from the previous MSP, MSP-AF, and the ongoing SCP1 projects. For the participating municipalities/utilities, (a) ASAT has an implementing unit, ALDAS, dedicated for management of internationally financed projects, which is active since 1995 and has procurement staff assigned to deal with daily activities for procurement arrangements, and (b) MUSKI has a PIU established with SCP1 and has an individual consultant to receive procurement support. Regarding the additional workload to be brought by SCP2 to these implementing units, improvement of the procurement staffing needs to be carefully considered.

29. **Procurement analysis.** The activities under SCP2 are expected to be similar to the MSP-AF and SCP1's municipal infrastructure investments, in terms of complexity, participation of the private sector, market, and procurement methods. The investments mainly include construction/rehabilitation works for water supply and wastewater networks, deep-sea outfalls, WWTPs, and procurement of goods and equipment. Several contracts under the MSP and MSP-AF were successfully completed by the local firms



for the construction/rehabilitation of water supply and sewerage networks. There were only two contracts under the MSP-AF completed by international firms for the construction of water, wastewater, and storm water network and construction of main collector, pressure lines, pumping station, and sewerage network. Deep-sea outfalls and WWTPs have the potential to attract international participation. ASAT, through ALDAS, plans to use the capacity for the design/design review and supervision activities required for the proper implementation of the subproject. The local market has capable contractors to supply the goods (water meters, and so on) and equipment/vehicles proposed to be financed under the project. The contract packaging and the level of implementation support for the project normally require the presence of a very strong team of consultants both at design/design review and supervision stages. MUSKI is planning to select consultants for design/design review and supervision of the works, goods, and S&I contracts.

30. **Risk mitigation measures.** The overall project risk for procurement is rated Moderate. After the mitigation measures are implemented, the residual risk would be low. To mitigate the identified procurement-related risks, the mitigation actions listed in table 3.2 are to be taken.

Table 2.2. Risk Mitigation Measures

Mitigation Actions		Deadline/Status
1	The PIUs will be established and maintained by the participating municipalities/utilities during project implementation. The PIUs must assign fiduciary staff fully engaged with the project and with qualifications and experience deemed adequate and acceptable to the World Bank.	Utility has allocated staff for PIU functions.
2	Prepare and approve a project OM with a detailed chapter on procurement.	SCP1 project OM will be used for SCP2.
3	Initiate the preparation of TOR/technical specifications with the Request for Bid and Request for Proposal documents for the high-value contracts planned in the first year of project implementation.	General Procurement Notice to be issued by negotiations, Requests for Expression on Interest for consulting services to be prepared by effectiveness
4	Ensure that existing procurement capacity is maintained/improved for the Ilbank PMU and municipalities/utilities.	During/throughout project implementation
5	Update Procurement Plans on a semiannual basis and use effective contract management tools to supplement the M&E function.	During/throughout project implementation
6	Provide regular hands-on joint Ilbank/the World Bank procurement support/advice to municipalities/utilities including training on NPF, support missions, and other training activities.	NPF training for Ilbank started and will continue during/throughout project implementation

31. **Applicable regulations.** The project will be implemented by using the World Bank’s NPF and the activities under the project will follow the ‘World Bank Procurement Regulations for IPF Borrowers’ (July 2016) (‘Procurement Regulations’). In accordance with paragraph 5.9 of the Procurement Regulations, the World Bank’s STEP system will be used to prepare, clear, and update the Procurement Plan and conduct all procurement transactions for the project together with the provisions stipulated in the Loan Agreement. The World Bank’s ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants’, (revised as of July 1, 2016) (Anticorruption



Guidelines), will apply to the project. A General Procurement Notice will be published on the World Bank's external website and United Nations Development Business online.

32. **PPSD and Procurement Plan.** According to the assessment of the PPSD, the agreed procurement categories and methods are reflected to the procurement plan of the project and brief background information is provided under the following three paragraphs.

33. **Goods, works, and non-consulting services.** ASAT's major investments cover construction of water transmission lines, sewerage networks, and deep-sea outfalls for an existing WWTP in Antalya. MUSKI's major investments include construction/rehabilitation of sewerage network and construction of WWTPs. Procurement of goods and equipment are also envisaged by municipalities/utilities.

34. The methods defined in the Procurement Plan will be followed for the procurement of goods, works, S&I, and non-consulting services (including logistic and organization services for trainings and workshops) that would include at least (a) Request for Bids under International Competitive and National Competitive Bidding procedures in accordance with the provisions of sections 5.3, 5.4, 6.5, and 6.6 of the Procurement Regulations and (b) Request for Quotation procedures in accordance with the provisions of section 6.7 of the Procurement Regulations where appropriate.

35. **Selection of consultants.** ASAT plans to receive consulting services for preparation of master plan, feasibility, and designs. MUSKI plans to receive consulting services for design review and construction supervision. The methods and thresholds defined in the Procurement Plan will be followed for the selection of the consultants that would include at least (a) the Quality- and Cost-Based Selection method as the default method and (b) the Selection based on Consultants' Qualification method in line with section 7 of the Procurement Regulations. For the employment of experts, Selection of Individual Consultants may be used. Subject to justification in terms of economy, efficiency, and equal opportunity to all qualified eligible consultants, the Direct Selection method for consultant firms and individuals may be used. The terms of reference and selection processes for financial management, audit, procurement, or legal contracts financed by the project, even those that are below the prior review threshold, shall be subject to World Bank's prior review.

36. **Standard bidding documents.** The World Bank's standard procurement documents shall be used for all contracts subject to international competitive procurement and those contracts as specified in the Procurement Plan tables in STEP. For other contracts, agreed documents will be used based on the World Bank's standard procurement documents.

37. **Special procurement arrangements.** No special arrangements are envisaged at this stage of assessment.

38. Domestic preference as specified under paragraph 5.51 of the Procurement Regulations will not be applicable for goods and works contracts identified in the Procurement Plan.

39. **Procurement implementation support/supervision frequency.** The World Bank will review the procurement arrangements performed by the participating municipalities/utilities and the PMU, including contract packaging, applicable procedures, and the scheduling of the procurement processes, for their conformity with the World Bank's Procurement Regulations, the proposed implementation plan, and the



disbursement schedule. (The World Bank's prior review thresholds are provided in the agreed Procurement Plan.) The procurements that are not previously reviewed by the World Bank will be subject to ex post review on a random basis in accordance with the procedures set forth in paragraph 4 of the Procurement Regulations. A sampling of one in five contracts will be used for post reviews. This ratio may be adjusted during project implementation based on the performance and risk rating of the project. A post review of the procurement documents will normally be undertaken during the World Bank's implementation support/supervision missions, or the World Bank may request to review any particular contract at any time. In such cases, the Ilbank PMU and participating municipalities/utilities shall provide the World Bank the relevant supporting documentation for review.

Environmental and Social (including safeguards)

40. The key actors in the implementation of this framework are the PMU and the participating municipalities/utilities.

41. As under SCP1, the MSP, and the MSP-AF, the PMU will continue to include environmental staff to coordinate the implementation of the ESMF. The environmental staff will monitor subprojects implementation and provide the necessary guidance on preparation of all environmental assessment documents in accordance with the World Bank requirements. Furthermore, the environmental specialist(s) will ensure that the municipalities/utilities adhere to the World Bank's safeguard requirements, consult the ESMF implementation, and monitor the comments and concerns of the affected groups. Ilbank will support the municipalities/utilities regarding the content of the environmental assessment documents, as detailed in the ESMF.

42. The PMU will also include social safeguard staff to ensure that municipalities/utilities adhere to the World Bank's safeguard requirements, implement the LARPF, and monitor the comments and concerns of the affected groups.

43. Both of the targeted municipalities/utilities have the capacity to properly implement the ESMFs and the LARPF during the construction and operational phases. Where such capacity is lacking, the municipalities/utilities will be assisted by environmental staff and social staff of the PMU to supervise the works carried out by the contractor and ensure that the ESMF and the LARPF are adequately followed.

Monitoring & Evaluation

44. Ilbank will share updated versions of the project Results Framework in the project progress report (due every six months) and also conduct an annual assessment of the results.



ANNEX 3: IMPLEMENTATION SUPPORT PLAN

Turkey: Sustainable Cities Project 2

Strategy and Approach for Implementation Support

1. **Implementation support missions.** The project would be supervised at least twice a year and the recommendations of such supervisions will be presented to Ilbank and recorded in an Aide Memoire. The World Bank would be represented by a task team leader. The goal would be to (a) undertake the required policy dialogue with Ilbank and local governments related to the project and the sector and (b) coordinate with other donors.
2. **SOP.** In addition, the implementation support missions will provide an opportunity for the preparation of subsequent projects, according to the SOP approach.
3. **Provision of key technical skills.** The key technical skills required are identified in paragraph 4. Table 4.2 outlines the expected skills, based on the experience of SCP1, the MSP, and MSP-AF. These may change over time. However, all required skills would be covered for the duration of the project.

Implementation Support Plan

4. **The key technical skills** would include water and wastewater engineers, an environmental safeguards specialist, a social specialist (with safeguards experience), a municipal finance specialist, urban specialists, an economist, and procurement and financial management specialists.
 - (a) The engineers/specialists in the relevant sectors will be responsible for ensuring the quality of the subproject design and civil works implementation under Component A. One national specialist will also be responsible for M&E under the project.
 - (b) The environmental specialist would ensure that all environmental safeguards are adequately implemented in the project.
 - (c) The social specialist would be responsible for (i) ensuring that social accountability mechanisms are adequately addressed in the project for all components and (ii) monitoring and addressing any concern that may arise on social safeguard.
 - (d) The urban specialists would provide supervision assistance for any physical planning issues that may affect the project.
 - (e) The economist would perform the economic and financial analysis for the subprojects and for the project as a whole.
 - (f) The procurement specialist would ensure procurement compliance for the project.
 - (g) The financial management specialist would ensure financial management compliance for the project.

**Table 3.1. Implementation Support**

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First 12 months	(a) Support to the successful start of the selected subprojects	(a) Engineers; urban planners (b) All skills	USD 200 000	None
12–48 months	(a) Ensure adequate implementation support of all aspects of project. (b) Ensure M&E measures undertaken in accordance with planned activities.	All skills	USD 150 000 per year	None
Other	—	—	—	—

Table 3.2. Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task team leader	56	14	International staff
Engineer - water and sanitation	28	14	International staff
Transport specialist	14	7	International and local staff
Energy specialist	14	7	Field-based staff
Environmental specialist	28	—	Field-based staff
Social specialist	28	—	Field-based staff
Urban planner	14	7	Field-based staff
M&E	14	7	International or field-based staff
Procurement specialist	28	—	Field-based staff
Financial management specialist	28	7	Field-based staff



ANNEX 4: ROLE OF PARTNERS

Turkey: Sustainable Cities Program

1. The EC has co-financed the Sustainable Cities Program (through Component A of SCP1) with an EU-IPA II Grant for the financing of Technical Assistance for Sustainable Planning and Management Systems (current closing date, June 2020).
2. The World Bank entered into an Administrative Agreement with the EC on March 2, 2017. The Administrative Agreement provided for the establishment of a Trust Fund to be administered by the World Bank in the amount of EUR 23,125 million, which the World Bank provided as a grant to Ilbank. The World Bank and Ilbank entered into a Trust Fund Grant Agreement with Ilbank, as the recipient of the funds on September 28, 2017.
3. The Trust Fund contributes to the EU-IPA II 'Multi-annual Action Program for Turkey on Environment and Climate Action' by strengthening institutional capacity of metropolitan municipalities to design, implement, and monitor environmental and socially sustainable planning and management practices.
4. The purpose of the activities under Component A of SCP1 (which is financed entirely through the grant) is to provide TA to municipalities participating in the World Bank-financed SCP in helping embed city-level actions that both link with EU policy directives and international sustainable cities indicators on climate change, energy efficiency, water, urban transport, solid waste management, and urban planning. The activities would also assist the implementing agency (Ilbank) in managing such a program.
5. Currently, the Government of Turkey is considering extending support under this component to Muğla, Denizli, Antalya, Kayseri, Balıkesir, Ordu, Kahramanmaraş, Malatya, Mardin, and Van.