



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 19-Sep-2019 | Report No: PIDC27142

**BASIC INFORMATION****A. Basic Project Data**

Country Turkey	Project ID P169996	Parent Project ID (if any)	Project Name Municipal Services Improvement Project in Refugee Affected Areas (P169996)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Nov 18, 2019	Estimated Board Date Jan 16, 2020	Practice Area (Lead) Water
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Treasury and Finance	Implementing Agency Iller Bank	

Proposed Development Objective(s)

The Project Development Objective is to improve access to municipal services, including safely managed water supply, wastewater and solid waste services in targeted municipalities affected by the Syrian refugee influx in Turkey.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	290.74
Total Financing	290.74
of which IBRD/IDA	134.76
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	134.76
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Non-World Bank Group Financing

Trust Funds	155.98
European Commission Development Fund - TF	155.98



Environmental and Social Risk Classification

High

Concept Review Decision

Track II-The review did authorize the preparation to continue

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Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. The Republic of Turkey achieved strong economic and social development performance between 2000 and 2016.** Poverty incidence more than halved over 2002-15, and extreme poverty fell even faster. During this period, Turkey urbanized dramatically, maintained strong macroeconomic and fiscal policy frameworks, opened to foreign trade and finance, harmonized many laws and regulations with European Union (EU) standards, and greatly expanded access to public services. However, growing economic vulnerabilities and a challenging external environment have threatened to undermine these achievements in the last two years. Turkey experienced a period of economic overheating in late 2017 and early 2018 and intense market volatility in mid-2018, resulting in contracting economic output, rising unemployment (increasing from 10.8 percent in January 2018 to 14.7 percent in January 2019), and high inflation (estimated at around 19 percent in February 2019). A tight monetary stance and the release of the country's New Economic Program (NEP) boosted investor confidence in 2018, though the focus is now on implementation of key reforms with the recent cycle elections now over. While market and external pressures have abated since mid-2018, currency pressures experienced in March 2019 are illustrative of Turkey's vulnerability to market sentiments.
- 2. Turkey has maintained a long-term focus on implementing ambitious reforms in many areas.** Several Government programs have targeted vulnerable groups and disadvantaged regions. Following the protracted political crisis in Syria, the country's southern neighbor, Turkey has become the largest refugee hosting country, with almost 3.9 million refugees, more than 3.6 million of whom are registered Syrian refugees under temporary protection. The rest are under international protection or are asylum seekers of other nationalities. The country serves as a transit hub and a reception country for irregular migrants and refugees from the region.¹ Approximately 10 percent of the refugee population reside in formal camps, while the rest live outside camps, mostly in urban areas. The refugee crisis has resulted in a substantial increase in the population of many municipalities across Turkey, especially in the South Eastern region closer to the border between the two countries, as well as in a number of other provinces and cities across the country. While in numerical terms, the size of refugee populations in some of the major metropolitan cities in Western Turkey such as, Istanbul, Bursa, and Izmir are equal to or higher than in these provinces, the impact in the smaller cities is higher given their

¹ According to DGMM and UNHCR, as of December 2018 there are 3.9 million refugees in Turkey. This total includes Syrians (3.6 million), Afghan (170,000), Iraqis (142,000), Iranians (39,000), Somalis (5,700), and other nationalities (11,700).



relative size. As such, their capacity to absorb the large influx of refugees is limited. Additional negative socioeconomic impacts are evidenced through competition over jobs, rising rents, growing demand for municipal services and capacity distress in social services such as education and health infrastructure. Most of the cities hosting a high concentration of Syrians are already located in the more vulnerable or disadvantaged provinces in Turkey, which exacerbates the development challenges for Turkey.

3. The provinces of Adana, Kahramanmaraş, Osmaniye, Kayseri and Konya are among several provinces in Turkey impacted by the influx of refugees. In 2018, these five provinces (Figure 1) had a total refugee population of about 500,000 people. The increased populations have put significant pressure on existing municipal infrastructure including water supply, wastewater, and solid waste management services in affected host communities. Urgent interventions in municipal infrastructure to augment existing systems are required.



Figure 1: The five provinces covered under this project²

² Source: World Bank Cartography Unit, June 2019.



4. **Since the onset of the conflict in Syria in 2011 the Government of Turkey (GoT) has taken a highly proactive stance in responding to refugee needs.** This includes the provision of free healthcare and education possibilities, as well allowing legal access to the labor market. A legal framework was established to tackle challenges due to the influx of refugees in Turkey by issuing Law No. 6458 on Foreigners and International Protection in 2013 and Regulation No. 29153 on Temporary Protection of Syrians in 2014. While the primary responsibility for emergency response and coordinating humanitarian needs are fulfilled by the Prime Minister Disaster and Emergency Management Authority (AFAD), relevant ministries and local authorities, depending on their respective area of jurisdiction, assume responsibility to provide registered refugees with access to municipal services, education, healthcare, social services, and labor markets.
5. **According to recent statements, since the beginning of the Syrian crisis and until the end of 2017, the GoT had spent an estimated EUR 31 Billion to meet needs of refugees and hosting communities.** According to a 2018 Needs Assessment Report prepared for the EU³, the international community has also continued to support Turkey in meeting the challenges of dealing with the refugee situation, providing over €4 billion since 2016, of which 95% consists of assistance from the EU. This includes the first tranche of the European Union (EU)'s Facility for Refugees in Turkey (FRiT), which is a € 3 billion fund launched in 2016 and designed to support the GoT with hosting refugees, € 600 million EU support outside of the FRiT and over € 400 million in bilateral support from EU countries. Other donors, various UN agencies, international, national and local civil society organizations, as well as International Financial Institutions (IFI's), have also been playing an important role in Turkey's refugee response, implementing a diverse range of programs and projects, accounting for over €200 million. These efforts have been geared primarily towards facilitating refugee's access to available public services and strengthening capacities of state institutions to this end at the national and local levels. Many municipalities most impacted by the refugee influx have difficulties in identifying and prioritizing their needs. Yet municipal budgets continue to be determined according to the number of host populations. In general, due to high budget pressure and time limitations, municipalities are tending to solve daily problems rather than looking into long term planning.

Sectoral and Institutional Context

6. **A General Directorate of Water and Wastewater Administration "SKI" is established in every metropolitan municipality to carry out the WSS in accordance with the provisions of Law No 2560.** SKIs are public entities that are affiliated with the metropolitan municipality and have an autonomous budget. The Financial Situation of most SKIs is challenging. The final assessment of the financial health of a municipal utility or, in this case, SKIs, is based on the indicators of total debt/total budget revenues, debt service/total budget revenues, and operating budget surplus/deficit. In general practice – though this is not defined in Turkish law – a municipal utility may be considered financially sound if its total debts do not exceed 60 percent of its total budget revenues, if its total debt service (interest payments and debt repayments in a given year) does not exceed 15 percent of total budget revenues, and if the municipality has an operating surplus (its operating revenues exceed its operating costs). Thus, the purpose of assessing SKIs' finances and creditworthiness is to get a general impression of their financial situation, to check whether they appear to be well managed and are reasonably sound financially, and to determine whether SKIs have room to take on further investments.
7. **Water supply is likely to become a severe problem for Turkey in the near future.** To counter this challenge, the Government has embarked on an extensive modernization and development process to improve water quality nationally, to ensure all rural and urban residential and industrial areas have access to drinking water and water

³ European Commission: Technical Assistance to the EU Facility for Refugees in Turkey – Final Report. October 2018. Refer to: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/updated_needs_assessment.pdf



treatment facilities. However, the sizeable population increase due to hosting refugees has caused an unexpected stress on this modernization program. The provinces located in the south east of Turkey in particular, which remain the prime target of the Turkish Government's development program, have seen the greatest negative impact, facing issues such as water scarcity problems and significant stress on existing wastewater treatment facilities.

- 8. While piped water coverage is relatively high in Turkey, more than 60 percent of water is distributed untreated.** According to Municipal Water Statistics prepared by TURKSTAT in 2016, 98 % of the population living in municipalities has access to piped water supply but only 59 % are served by a water treatment plant. The municipalities targeted in this project face significant water supply service challenges, including inadequate water treatment facilities and high unaccounted for water due to ageing and poorly managed transmission and distribution infrastructure. Non-Revenue Water (NRW) in utilities across the country is high, including physical losses averaging about 36 percent country-wide. In Kahramanmaras and Osmaniye, NRW is estimated at around 70% and 56%, respectively. The added pressure due to the increased population from the refugee influx is further exacerbating the quality and quantity of water supplied to the population.
- 9. Similarly, while access to sewage networks is relatively high, a significant proportion of wastewater is discharged untreated into the environment.** According to TURKSTAT Municipal Wastewater Statistics for 2016, 90 % of the population living in municipalities are served with a sewage network. However, only 70% of the municipal population is served with a wastewater treatment plant. In individual municipalities coverage is lower, and the quality of sewerage infrastructure is inadequate, resulting in sewage leakages which impact the environment. These conditions not only impact the environment, but also lead to significant increases in operation and maintenance costs of the system.
- 10. Like other municipal services, there is evidence that existing solid waste disposal capacities are being strained due to the refugee linked population increase.** For example, in Kilis the waste amount currently collected is 133% more than the regular amount collected prior to the refugee influx. Similar challenges are faced in municipalities such as Kahramanmaras. This increase in waste generation has an impact on the lifetime of waste collection vehicles and equipment as well as disposal sites. While solid waste collection rates in Turkey are relatively high, a significant proportion of the waste is not disposed properly in landfills. According to 2016 National Waste Management Plan and Action Plan (NWMP&AP) data, just over 60% of the municipal waste is sent to sanitary landfills, 28% is dumped into municipal dumpsites, and 11% was reported as recycled, composted or disposed of by other methods.
- 11. The GoT has requested grant financing from the EU under its FRiT for a project to support municipal services in refugee affected areas.** Most of these municipalities had already operational problems such as high water losses, inadequate water treatment, inadequate access to wastewater collection, and lack of wastewater treatment due to deficiencies in financial capacity and insufficient institutional capacity. However, the increased population, put additional pressure on infrastructure and municipal services, and catalyzed the need for immediate action.
- 12. The World Bank has substantial global experience in supporting programs and managing policy dialogue to improve service delivery in areas affected by refugees.** The Bank is currently managing a diverse US\$ 4 billion IBRD loan portfolio with strong synergies to the proposed project. The Bank is a leading development partner in improving municipal services and capacity through investment lending, technical assistance (TA), and analytical work and it is currently supporting a significant program in the municipal services sector, including the Series of



Projects on Sustainable Cities⁴ .

Relationship to CPF

13. The proposed project is consistent with the World Bank Country Partnership Framework (CPF) for Turkey for the FY 2018-2021⁵ period and is aligned with the objectives of Turkey's 10th Development Plan (2014–2018). The CPF has three focus areas: (1) Growth; (2) Inclusion; and (3) Sustainability. Under Focus Area 2 (“Inclusion”) the WBG support in this area aims to consolidate Turkey's success towards achieving the twin goals while also supporting efforts to reach those who are left behind. An important evolution of the WBG program in this CPF area has been and will continue to be the introduction of new investment operations financed by the EU's FRIT which specifically sets the target to improve the situation of Syrians under Temporary Protection (SuTPs) (or refugees) in Turkey. Under Focus Area 3 (“Sustainability”) the Project will support the Strategic Objective 8 to improve sustainability and resilience of cities, and Strategic Objective 9, to increase sustainability of infrastructure assets and natural capital. The CPF is further based on the findings of the Systematic Country Diagnostic (finalized in 2016) that highlighted water availability and sustainable use as being key challenges for Turkey's future development.

C. Proposed Development Objective(s)

14. The Project Development Objective (PDO) is to improve access to, and quality of municipal services, including water supply, wastewater and solid waste services in municipalities affected by the Syrian refugee influx in Turkey.

Key Results (From PCN)

15. The Project will seek to achieve the following results in line with the PDO: (a) improved access to safely managed water supply services; (b) improved access to safely managed wastewater collection / sewerage services; (c) improved wastewater treatment; (d) improved solid waste disposal in targeted municipalities; and (e) strengthened institutional capacity to manage municipal services in municipalities and utilities.

16. At time of PCN stage, the following PDO indicators are proposed and will be further defined during project preparation stage:

- Total number of people benefitting from safely managed drinking water services in the selected municipalities (out of which female);
- Number of refugees benefitting from safely managed drinking water services in selected municipalities (out of which female);
- Total number of people benefitting from safely managed sanitation services in the selected municipalities (out of which female);
- Number of refugees benefitting from safely managed sanitation services in selected municipalities (out of which female);
- Total number of people benefitting from improved solid waste services in the selected municipalities (out of which female);

⁴ Refer to World Bank's Series of Projects on Sustainable Cities:

(1) Turkey Sustainable Cities Project (P128605): <http://projects.worldbank.org/P128605?lang=en> ;

(2) Turkey Sustainable Cities Project 2 (P161915): <http://projects.worldbank.org/P161915?lang=en> ;

(3) Turkey Sustainable Cities Project 2 – Additional Financing (P170612): <http://projects.worldbank.org/P170612?lang=en> ;

⁵ Refer to Report No. 11096-TR: <http://documents.worldbank.org/curated/en/585411504231252220/pdf/Turkey-CPF-08072017.pdf>



- Number of municipalities/utilities benefitting from Technical Assistance (TA) under the project.

D. Concept Description

17. The EU grant would leverage the proposed IBRD loan through blending on a 50%-50% basis for the infrastructure component of the project. The Project will finance construction and rehabilitation works for water supply, wastewater and solid waste management facilities to address the urgent municipal service needs in affected municipalities. Proposed activities would also cover consulting services for the review of technical designs⁶ and independent supervision for the construction and/or rehabilitation works. Targeted capacity building activities are also proposed to increase capacity within municipalities and water, waste water and solid waste utilities to operate and maintain the respective facilities to ensure sustainable service delivery to the entire population. Proposed activities will include: (a) Construction and/or rehabilitation of water supply infrastructure; (b) Construction and/or rehabilitation of wastewater systems; (c) Construction of solid waste landfill; (d) design review and supervision of construction and/or rehabilitation works in (a), (b) and (c) and installation of equipment; and (e) provision of technical assistance for project management, supervision and capacity building to Ilbank's Project Management Unit (PMU) and Provinces/municipalities/utilities (PIU's).

18. The Project will have two components:

19. **Component A – Municipal Investments.** This component will finance the construction and rehabilitation works for water supply, wastewater management, and solid waste management facilities in the targeted⁷ municipalities, to achieve improvements in access, service quality and continuity of services. Water supply investments will include, but not be limited to construction and/or rehabilitation of water treatment plants, extension of water distribution networks and transmission lines, expansion of water reservoir capacities, and NRW reduction activities such as installation of SCADA systems and development of district metering areas (DMAs). Wastewater investments will include construction of new wastewater treatment plants (WWTPs) or increase their capacity, and construction of new or extension of existing sewerage collection networks. Solid waste facilities will include possible construction of new solid waste facilities, waste collection and transfer equipment.

20. **Component B – Technical Assistance for Project Management, Supervision and Capacity Building.** This component will finance goods and consultancy services for project management, monitoring and evaluation, and outreach and public communication activities. It will also finance consultancy services for design review and supervision of construction and rehabilitation works under Component A. Targeted capacity building activities are also proposed to increase capacity within municipalities and water, sewerage and solid waste utilities to operate and maintain the respective facilities to ensure sustainable service delivery to the entire population.

2. Overall Risk and Explanation

21. **The overall project risk is rated as Substantial** and risks in this category are briefly described below.

22. **Political and Governance risks are rated Substantial.** These risks are primarily linked to the overall political context of the Syrian refugee crisis and its broader implications on stability in Turkey and the broader region.

⁶ As of June 2019, most of the technical design have been completed.

⁷ At the PCN stage five municipalities have been identified. However, the GoT has indicated the possibility for introducing additional municipalities as part of the negotiations with the EU and the Bank.



Further political risks are linked to local political economic situations such as possibilities of changes in support for the project due to following changes in elected officials. The latter is captured under stakeholder risks below.

- 23. Macroeconomic risks are rated as Substantial.** Macro risks to the project are rated Substantial in view of the economic and market volatility experienced in the country over the past two years, as well as several factors: (a) Turkish authorities have set out a fiscal consolidation path that assumes a sharp decrease in capital expenditure, which may affect municipal investment plans; (b) high inflation and any further currency volatility pose challenges for investment planning, increasing the need for adjustments to budgets and implementation plans; (c) currency volatility and pressure can enhance forex pressures for municipalities, though this is partly hedged by the long-term nature of IBRD investment loans; and (d) the construction sector is among the most severely hit in the current downturn—leverage and exposure to forex debt will affect construction companies' ability to respond to an increase in public investment. These risks should be mitigated through consistent and credible macro policies, clearly communicated to investors, and implementation of ongoing corporate debt restructuring.
- 24. Stakeholder risk is rated as Substantial.** This risk reflects past history where municipalities/utilities have withdrawn from similar projects either immediately before negotiations or subsequent to loan signing due to internal political and financial considerations. To mitigate this risk, municipalities/utilities are required to provide Municipal Executive Board/Utility Executive Board Decisions in support of their participation in the project and are also required to prepare feasibility studies that include a financial assessment of the sub-project and the municipality. The risk rating also reflects possible community resistance to certain investments. To mitigate this risk, required Environmental and Social Impact Assessments (ESIAs) or Environmental and Social Management Plans (ESMPs) will be prepared for each sub-project investment and a grievance redressal mechanism will be set up within the project. In addition, other citizen engagement mechanisms will also be explored during the preparation period.
- 25. The project's Environmental risk** has been rated High given the nature of some of the investments, particularly those that would involve establishing of new wastewater treatment plants and solid waste management facilities, whose impacts may be large in spatial scale and/or where sensitive sites may be allocated for their placement. Some of the significant environmental risks may require complex mitigation measures or technologies. Although Ilbank has extensive experience in Bank operations and safeguards management through the Municipal Services Projects 1-2 and the Sustainable Cities Project (1 and 2), it lacks experience in managing complex and high-risk projects in Fragility-Conflict-Violence (FCV) contexts.
- 26. The Social Risk Rating has been rated High** as there are some sub-projects that are located in socially sensitive areas (in terms of possible tensions/conflicts between host and refugee populations). Social risks are high due to the following reasons: (i) sub-projects will take place in provinces impacted by Syrian refugee influx which have a history of incidents of social unrest among the refugee and host communities, especially residing in the southeastern provinces (Kahramanmaras, Adana and Osmaniye); (ii) there are significant concerns and resistance from host communities regarding investments and the aid provided to Syrian refugees; (iii) Implementation of the landfill sub-project could cause displacement of local community members and refugees who are performing waste picking / collecting / recycling in the project site; (iv) adverse livelihood impacts due to land-induced economic and physical displacement; (v) the higher prevalence of gender based violence experienced by Syrian women; and (vi) the Borrower has insufficient experience in dealing with projects in socially sensitive or conflict areas.



27. Other risks rated as substantial pertain to the overall project preparation and signing timeframe required by the EU, and its implications for processing. The EU Assessment Committee informed the Bank on May 29, 2019 that it had assessed the latter’s expression of interest for implementation of the proposed Project under the second tranche of the FRIT and has recommended it for further negotiation with the EU delegation in Turkey. The further advised that informal negotiations with the EU could start in mid-June and in principle continue until July 9, 2019 when the final approvals will be discussed in Brussels. According to the EU guidelines for FRIT financed projects, the contract between the EU and IFIs (the Bank) should be signed before the end of calendar year 2019. Thus, from the PCN to the required approval date to meet this deadline, the project team has about five months to prepare the project. The most critical aspect of the processing timeframe is linked to preparation of required safeguard instruments in line with the new Environmental and Social Framework (ESF).

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

There are 13 sub-projects under the proposed project, involving establishing new water networks, water transmission lines, new wastewater treatment plants and solid waste landfill(s). The impacts of these sub-projects may be large in spatial scale and sensitive sites may be allocated for their placement. Moreover, some impacts can be long-term or even permanent. Some of the significant environmental risks may require complex mitigation measures or technologies.

The construction-related impacts are habitat disturbance, air and noise emissions, community health and safety (including traffic management related risks and gender-based violence risks) and occupational health and safety risks, labor influx, land acquisition, economic displacement etc.

Operation phase impacts are generation and discharge of treated wastewater, generation and disposal of leachate and landfill gases, odor generation from wastewater treatment plants and landfill, etc.

Social risks stem from history of incidents of social unrest among the refugee and host communities especially residing in the southeastern provinces (Kahramanmaras, Adana and Osmaniye) of Turkey. Implementation of the landfill sub-project may likely cause displacement of local community members and refugees who are performing waste picking / collecting / recycling in the project site. Adverse livelihood impacts may take place due to land-induced economic and physical displacement; also higher prevalence of gender-based violence is experienced by Syrian women and Borrower's limited experience in dealing with projects in socially sensitive or conflict areas, are other risk factors that need to be mitigated through the project preparation.

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.



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APPROVAL

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