



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 04-Jun-2020 | Report No: PIDC28388



BASIC INFORMATION

A. Basic Project Data

Country Turkey	Project ID P173025	Parent Project ID (if any)	Project Name Urban Resilience Project (P173025)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Feb 01, 2021	Estimated Board Date Jul 30, 2021	Practice Area (Lead) Urban, Resilience and Land
Financing Instrument Investment Project Financing	Borrower(s) Republic of Turkey	Implementing Agency Ministry of Environment and Urbanization	

Proposed Development Objective(s)

To support the Government of Turkey to to build climate and disaster resilience in participating municipalities.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	553.08
Total Financing	553.08
of which IBRD/IDA	553.08
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	553.08
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Environmental and Social Risk Classification
Substantial

Concept Review Decision
Track II-The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

Turkey has high growth potential, but recent shocks have affected the sustainability of its economic gains since the early 2000s. After the Global Financial Crisis in 2008-2009, growth has been increasingly fueled by credit booms and rapid accumulation of (mostly foreign exchange) private sector debt, together with a short-term stimulus policy. These led to declining productivity and growing macroeconomic imbalances in late 2017/early 2018. The situation was compounded by exogenous factors, including multiple election cycles, regional conflict, and difficult international relations. The ensuing volatility in growth has affected the sustainability of Turkey's economic gains.

The economic vulnerabilities that had accumulated over the past four years came to a head in mid-2018. Policy stimulus in the aftermath of the 2016 failed coup attempt led to economic overheating. Though growth accelerated to 7.4% in 2017, this came at a cost of double-digit inflation and a large current account deficit. A hardening of external economic conditions in mid-2018, together with tense international relations, led to a collapse in the Turkish Lira (TL). This profoundly affected the real and financial sectors. Corporations and banks both suffered due to high foreign exchange debt, annual inflation peaked at 25% in October 2018, the economy went into recession in 2018, and unemployment jumped from 10% in January 2018 to 14% in June 2019.

Over the past 12 months, the Turkish economy has experienced positive adjustments that have served to reduce vulnerability. Current account imbalances have declined, banks have reduced their external exposure, and portfolio flows have started to recover. These adjustments have lessened external vulnerabilities that had accumulated in the run up to the August 2018 currency shock. They have also contributed to a more stable Lira, notwithstanding bouts of currency volatility. In addition, disinflation has been steady over this period. These developments were supported by selected policy responses and accommodative global monetary conditions. Even so, foreign exchange reserves have eroded over the past two years, exposing Turkey to external market pressure and unemployment remains a challenge.

Stagnating output, high costs of production, and high consumer prices have led to significant job losses and falling real wages. Unemployment among the youth is particularly high, having increased markedly from 19% in May 2018 to 25% in May 2019. Once more, average real wages declined by 2.6% between 2017 and 2018, though had picked up prior to the COVID-19 pandemic as a result of adjustments to the minimum wage. Poorer households were most impacted, as many low-income workers are employed in construction and agriculture, the sectors that saw the biggest decline in jobs. Moreover, the long-term impact of the real wage effects is typically greater for the poorest households, since they have limited coping mechanisms.

Despite progress over the recent decade, gender differences are still a challenge, and are frequently wider among vulnerable groups. Girls from lower-income backgrounds have significantly lower school enrollment rates than boys, while among the higher-income bracket gender parity has been achieved. Whereas gender gaps in educational attainment have decreased in the western parts of the country, they remain substantial in the eastern regions. Female labor force participation also shows marked gradients with respect to income brackets. Increasing women's economic participation



and addressing disadvantages among vulnerable groups and regions remain two main challenges for Turkey.

The high uncertainty associated with COVID-19 exacerbates Turkey's economic, demographic, and social challenges, which are particularly evident since the downturn in economic growth experienced in 2018. The COVID-19 outbreak is straining health and public health systems, while measures to contain its spread are resulting in an economic slowdown and threaten the economic security of many of its citizens, particularly those with low-incomes. The more prolonged the crisis, the more significant the impact will be on overall population health, as well as the economy at large. This will, in turn, place additional strain on public services, including the public health system and requires preparation in terms of physical, human and financial capacity nationwide. While the toll the pandemic ultimately takes on the country will not be clear for some time, a strong, coordinated institutional response is critical to both containing the spread of COVID-19 and working to limit the social and economic effects.

Increasing the resilience of Turkey's cities will be important for containing the future spread of COVID-19 and in the economic recovery process. While the country's total population increased by 9.2 percent between 2007 and 2014, the urban population increased by 15.4 percent during the same period. Today, cities accommodate over 75 percent of the country's population and contribute substantially to its economy. The Government of Turkey has prioritized sustainable and resilient cities as part of its national development plan for the period 2019-2023. The Plan gives special attention to urban transformation and disaster risk management policies to establish healthy, safe and climate and disaster resilient settlements, to increase the resilience of critical infrastructures and public buildings against climate change and disaster, and to minimize the possible loss of life and property caused by disasters through risk mitigation activities. Urban resilience related targets and policies of the plan include preparation of provincial level urban transformation strategies as a basis for urban transformation projects; prioritization of risky areas through a multi-criteria evaluation system; conducting social impact assessments before urban transformation projects occur; increasing public participation in urban transformation projects; and the development of new financing models. Implementation of the Plan will likely face challenges due to the COVID-19 situation. Moreover, cities will face additional difficulties due to declining own source revenues.

Turkey's Climate Change Action Plan (2011-2023) identified several actions aimed at increasing national preparedness and capacity to avoid the adverse impacts of climate change and to adapt to its impacts. In 2015, Turkey submitted its Nationally Determined Contribution to the United Nations Framework Convention on Climate Change, committing to reduce its GHG emissions by 21 percent by 2030 compared to the business as usual scenario, to be achieved through several new policies and measures, including those related to energy efficiency improvements. The financing to implement such policies and measures is recognized as a key constraint, particularly at subnational levels.

Sectoral and Institutional Context

The high concentration of Turkey's GDP in its biggest metropolitan areas demonstrates the significance of large cities to the country's economic trajectory, while the high densities of second tier cities coupled with lagging service provision may reduce the positive impacts of urbanization. Turkey has long recognized that unlocking the economic potential of its cities is pivotal to the country's overall development. However, as citizens continue to migrate to cities for economic and educational opportunities, increased urbanization is putting pressure on the capacity of the metropolitan municipalities to adequately provide infrastructure and public services. Furthermore, a history of low-quality construction has created a backlog of increasingly urgent building upgrades that further constrains cities' already limited financial and human resources. To leverage the economic potential of urbanization, metropolitan municipalities need to address structural obstacles that constrain potential growth, such as inadequate urban settlements. This challenge is particularly prevalent in the housing sector. Insufficient consideration of seismic risk in spatial planning and zoning principles and the inability



of the formal housing market to meet increasing demand have resulted in extensive growth of informal settlements around cities. These informal settlements generally host low-income groups serving as relatively cheap labor force for the economy. Apart from being “informal”, these settlements are mainly located in high seismic zones, and the self-built structures in these settlements do not conform to seismic safety codes, which presents a massive risk in the event of an earthquake.

Turkey is one of the world’s most disaster-prone countries. Its population and economy – especially its cities due to the concentration of people, assets and economic activity – are highly exposed and vulnerable to earthquakes, floods, landslides, and other hazards. Turkey ranks 45th among the 191 high-risk group countries, a rating driven primarily by its extreme earthquake risk and the ongoing refugee crisis. Of these hazards, earthquakes have claimed the highest number of lives and caused the greatest economic loss for the country, with approximately 94,000 fatalities in several earthquakes since 1900, a total affected population of 7 million, and direct losses of USD 50 billion (Erdik, 2013). Approximately 210 damaging earthquakes occurred between 1990-2017 and every year, the country experiences at least one 5+ magnitude earthquake according to Turkey’s Disaster and Emergency Management Authority (AFAD).

About 95 percent of Turkey’s territory, 70 percent of its population, 83 percent of its GDP, and 76 percent of industrial plants are located near an active fault line (AFAD). Two earthquakes that occurred in January and February 2020 damaged around 25,400 houses and public buildings with varying level of damage. These earthquakes occurred in areas with low populations but demonstrate the extreme vulnerability of Turkey’s built environment and the importance of disaster risk reduction and preparedness interventions. Climate change is expected to result in increased temperatures of 2.5 to 4°C (with up to 5°C in inner regions), generate more unstable weather precipitation and increase sea levels, with resultant disaster risks including more frequent and intense flooding, droughts and extreme heat days.

Over the last decade, Turkey initiated several regulatory and institutional reforms to mitigate and reduce the impacts of seismic risk. The introduction of new legislation on urban transformation and planning in areas of disaster risk marked the beginnings of urban transformation efforts to mitigate disaster risk. The Law on the Transformation of Areas under Natural Disaster Risk (Law No. 6306) was enacted in 2012 and accelerated urban transformation projects for building and areas assessed to be under seismic risk. Central Government institutions such as the Ministry of Environment and Urbanization (MoEU) and the Housing Development Administration (TOKI), as well as public and private enterprises associated with local governments acted as major investment authorities in the planning and financing of large-scale area transformation projects. This law provides opportunities for a systematic approach to integrate resilience into urban planning and management, and to enhance the resilience of critical infrastructure and buildings, including housing.

The scale of financial and technical support required to enhance the seismic resilience of housing in Turkey is massive. According to MoEU, 14 million housing units are classified as vulnerable to seismic risk. Approximately 6.7 million housing units are targeted to be rebuilt in the next 20 years at a cost of about US\$465 billion; with approximately 50,000 units redeveloped to date. The costs of retrofitting or reconstructing housing units in areas prone to earthquakes are primarily borne by homeowners with support provided by the national government in the form of grants and loan subsidies.

The national government has been formulating approaches to support municipalities to develop their own urban resilience and transformation strategies, according to national policy. In 2018, MoEU issued Urban Transformation Strategy Guidelines for municipalities to prepare urban transformation strategies. The guidelines include the following elements: (i) City-wide assessments; (ii) Priority areas; (iii) Investments (iv) Stakeholder discussions; (v) Feasibility studies, and (vi) Financing mechanisms. These guidelines require a thorough analysis of the urban transformation areas within each municipality to allow for an assessment of multi-hazard risk and the prioritization of city level risks. In September 2019, MoEU launched a 5-year Urban Transformation Action Plan to operationalize the urban transformation strategy



guidelines, which prioritizes the transformation of buildings and areas prone to earthquake, flood and/or landslide risk, historical urban centers and city squares, and industrial areas. Under this action plan, the government aims to transform approximately 1,500,000 to 2,000,000 housing units by 2023.

MoEU's new guidelines for municipalities released in 2019 recommend an enhanced approach for undertaking urban transformation of areas prone to disaster risk focusing on (i) municipal-scale and (ii) on an area redevelopment basis. This strategy builds on lessons learned from past urban resilience programs in Turkey that showed ad hoc approaches were not as efficient or inclusive as desired. The guidelines set out a more holistic and integrated approach towards urban transformation and requests that municipalities develop a thorough analysis of the urban transformation areas. This is an important change in approach that will encourage the assessment of multi-hazard risks and the prioritization of risk at the city scale to develop comprehensive urban resilience approaches. The new strategy also highlights the need for a robust financing methodology to be adopted early on, through a preliminary feasibility report based on a balanced distribution of revenues and costs in consideration of existing and proposed development rights. This financing strategy considers options for private, public-private and public financing of urban transformation areas depending on the context of the area to be redeveloped, an approach that will support the prioritization of public financing for areas with higher risk profiles, but with lower market demand for redevelopment and/or areas with lower socio-economic indicators.

The strategy also builds on lessons learned regarding the importance of engaging all citizens in the design and implementation of urban resilience programs. Past programs did not focus specifically on social engagement; under the new strategy, stakeholder engagement would be carried out regularly and at appropriate times to elicit comments from the people who live in the area. Together, these advances signal that the Government is keen to improve its urban transformation program and to ensure a more participatory approach. The government, however, has not yet rolled out the new approach to social engagement, and the World Bank can add substantial value to piloting these approaches. In addition, despite ambiguous property rights, people living in informal housing units without land tenure are be treated as a rights-owners by the Ministry and are eligible for housing support and subsidies.

Despite the development of a legal framework supporting disaster risk management-driven urban transformation, Turkey faces several ongoing policy and finance challenges. On the policy front, key issues that require support include the unclear delineations of authority between government levels, ad-hoc determinations of urban transformation zones, limited evidence-based prioritization of investments, limited support for vulnerable groups living in urban transformation areas, the complexity of community participation, and uncertainties around tenants' rights, among others. On the financing front, the structure of the municipal finance system and lack of proper value capture methods are the main bottlenecks to the urban transformation process. Existing funding mechanisms for the urban transformation projects are limited and of an ad-hoc nature and there is no guideline for financing options from which municipalities can benefit. As such, there is a strong need for the development of additional structured funding schemes and introduction of broader value capture mechanisms and tools as well as hands-on training for municipalities on options or financing urban transformation.

Current public funds and other national finance sources are inadequate to meet the required funding to renovate and reconstruct the housing stock at risk of natural disasters. These resources will be further constrained in view of the social and economic impacts of COVID-19, which will likely persist for some time. Most housing subsidies have boosted the construction industry by providing subsidies and incentives for building more and cheaper units. In the meantime, there is an excess supply of housing in Turkey, as demand has not been able to keep up with supply. While the government has developed assistance programs in the mortgage market, these assistance programs have not reached the bottom half of society with the lowest incomes. This situation calls for tenant-based assistance instead of project-based housing assistance. Working from the demand side of the housing market, such subsidies if well-designed usually cost less for government and can cover more residents. In addition, the MoEU manages subsidies for people affected by urban



transformation programs, including funds for retrofitting, relocation of households, and interest rate subsidies.

Turkey is both a transit and reception country for migrants and refugees and, globally, the country hosts the highest number of refugees which adds an additional dimension to factor into not just urban resilience efforts by also constraints on municipal financial resources. As a result of the crisis along its southern border with Syria, Turkey has been hosting an increasing number of refugees and foreigners seeking international protection. In addition to hosting more than 3.6 million Syrians under Temporary Protection (SuTP), there are an estimated 400,000 asylum seekers and refugees from other countries. The country's refugee response has been progressive and provides a model to other countries hosting refugees. However, the magnitude of the refugee and migrant influx continues to pose substantial development consequences for not only the displaced but also the communities into which they settle, contributing to the expansion and overcrowding of settlements, increased demands for urban services (including water supply, sanitation and solid waste services), additional pressure on infrastructure and the urban environment, conflicts over land, and increased competition for employment, housing, education, health and social services. These stresses stretch the limited capacity of urban local governments, including municipalities and other service providers. Apart from the large cities such as Ankara, Istanbul and Izmir, many 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.

Currently, municipalities have limited financial capacity to conduct climate and resilience related investments, which is recognized as one of the key constraints for climate action in Turkey. The project provides the opportunity to build capacity for screening and preparing projects which consider climate and disaster resilience and the means to invest in both mitigation and strengthening climate adaptation in cities. Parallel support from the Global Facility for Disaster Reduction and Recovery (GFDRR) in the amount of US\$500,000 (described below) has allowed the piloting of approaches to the assess city-wide climate and disaster risk, which will be scaled up to municipalities within and beyond the project.

This project builds on existing World Bank lending and technical assistance programs with the Government of Turkey focused on disaster risk management and urban development. In terms of lending, this includes the collaboration on urban sustainability (Sustainable Cities (P128605); the Sustainable Cities 2 project and its Additional Financing (P161915 and P170612)); projects focused on safe and resilient schools (Disaster Risk Management in Schools Project (P157683); Education Infrastructure for Resilience (EU Facility for Syrians under Temporary Protection (SUTP) (P162004); the integration of seismic risk considerations alongside energy efficiencies in public buildings (Turkey Energy Efficiency in Public Buildings (P162762)); and the Turkey Resilient Landscape Integration Project (P172562) under preparation. And, the Turkey Land Registry and Cadastre Modernization Project seeks to improve the accuracy of digital cadastre and land registry information and develop policies and capacity for improved property valuation.

In terms of technical assistance programs, the Bank is currently providing support (through GFDRR) to the municipalities of Tekirdag and Kahramanmaras to increase their capacity to: (a) conduct city-wide climate and disaster risk assessments, (b) identify areas in need of urban transformation based on robust analysis; (c) review and enhance the existing tools for social assessment and stakeholder engagement; and (d) provide guidance and training on financial models that could be applied. A parallel technical assistance activity with Ilbank (P170103) is focused on building capacity in municipalities for screening, preparing, and implementing infrastructure investments which consider climate and disaster resilience (for example investments in public transport, water and wastewater, solid waste management, disaster risk management, energy efficiency and renewable energy, improved the urban environment, municipal firefighting services, and social infrastructure and services). The Bank is also providing financing to AFAD to undertake critical infrastructure assessments for hospitals and other sectors. These TA programs are funded by the Global Facility for Disaster Reduction and Recovery



(GFDRR).

Grants from GFDRR (USD\$1 million) and the City Resilience Program (US\$400,000) were recently agreed to support the preparation of this Project. A key focus will be supporting the government to develop regulatory and financing mechanisms for the national urban resilience framework, which could include, for example, the development of guidelines for determination of public, private or hybrid financing approaches. This will include the identification of comparative advantages of leveraging the public and private sectors depending on the context of specific UR projects and target municipalities, including their risk profiles, access to financing, and existing poverty levels, etc.). Other areas to be covered include, additional capacity development for disaster and climate risk assessments, participatory approaches, sector specific analysis (such as gaps in municipal firefighting services), site-specific feasibility studies, and so forth.

Relationship to CPF

The proposed project is aligned with the World Bank Country Partnership Framework (CPF) for Turkey for the FY18-21 period and with the objectives of Turkey's 11th Development Plan (2019–2023). The CPF sets out the overall objective of supporting Turkey in achieving more sustainable and inclusive development by focusing on growth, inclusion, and sustainability dimensions. The proposed project will contribute to meeting CPF objective 8 - Improved Sustainability and Resilience of Cities - under the sustainability focus area to help the Government of Turkey strengthen the capacity of its cities to reduce the impacts of natural disasters and climate change on assets and people living in risk prone areas.

C. Proposed Development Objective(s)

The project development objective is to support the Government of Turkey to pilot approaches to build climate and disaster resilience in participating municipalities.

Key Results (From PCN)

- a) Application of disaster and climate risk assessments to inform investment prioritization;
- b) Number of people benefitting from improved living conditions, of which are female (percentage) (corporate results indicator);
- c) Establishment of a national financing framework for urban resilience investments; and
- d) Number of families with access to seismic resilient housing.

During preparation, the team will aim to identify gender gaps and activities to meaningfully close the gap in relation to urban resilience and an indicator to measure closing the gap.

D. Concept Description

The project serves as a pilot to demonstrate how the government's urban resilience policies can be put into practice in selected municipalities and scaled up over time. The project will support the development of a pilot program to support the roll out of the urban transformation strategy that also addresses key policy and sector bottlenecks through technical assistance and capacity building. The project will support policy issues such as building code enforcement, zoning, and development of a financing framework to support large scale urban resilience investments. While there have been various urban resilience projects undertaken at the municipal level in Turkey, most projects have been focused solely on housing reconstruction without factoring in broader resilience elements of infrastructure, public buildings and public space, and



the current housing support do not factor in considerations for vulnerable groups. See Box 1 for good practices to be considered when reviewing and ensuring the design of effective housing subsidy programs, which will be a key focus of the project preparation phase. In addition, the methodology to delineate risk prone areas is based on seismic risk and does not factor into account climate or other hazard risks, such as flooding or landslides. Finally, MoEU has not yet rolled out an advanced participatory approach for integrating communities in the design of urban resilience investments. This project will provide support to MoEU and participating municipalities to tackle these policy and implementation challenges over time through pilot interventions and draw lessons that will allow the approach to be taken to scale in the future.

Box 1: Principles for designing effective housing subsidy programs

The following are some general principles for designing and applying effective housing subsidies:

1. Governments should see housing subsidies as either transitional or as a last resort.
2. They should first try other methods for improving access to housing, such as regularizing insecure tenure, improving access to market-rate housing finance, removing barriers to the production of rental housing, or improving housing supply markets to reduce prices.
3. If subsidies are necessary, they must be well-targeted, measurable, and transparent, and should avoid distorting housing markets.
4. If banks are involved, these government subsidies should be open to all banks and these banks should take the credit risk.
5. Subsidies in the form of rent control, which have been shown to be inequitable and to distort markets and reduce housing supply, should be avoided.
6. One-time capital grants and housing allowances are usually more appropriate than rent control and production subsidies.

Plus, some do's and don'ts in rationalizing housing subsidies:

Do:

- ✓ Make subsidies transparent
- ✓ Target subsidies to the poor
- ✓ Subsidize people, not houses
- ✓ Subject subsidies to review

Don't:

- Build subsidized public housing
- Allow for hidden subsidies
- Let subsidies distort prices
- Use rent control as a subsidy

Under the project, comprehensive and integrated approach to resilience will be piloted, which includes not only seismic risk, but also elements to address climate change and multi-hazard risks. The Project design builds on the results and lessons learned from the ongoing urban resilience technical assistance program, which has worked in the municipalities of Tekirdag and Kahramanmaras to conduct city-wide climate and disaster risk assessments that inform the identification of areas in need of urban transformation. The TA has also supported the review of existing tools prepared by MoEU for social assessment and stakeholder engagement and provided guidance on financial models for urban resilience that could be applied at the municipal level. Project investments will be grounded on climate and disaster risk assessments to inform the prioritization of areas at the municipal level that require support to build urban resilience. The same methodology used in Kahramanmaras and Tekirdag to undertake a city-level climate and disaster risk assessment will be carried out with Manisa under the project.

The project will focus on building urban resilience at the metropolitan municipality level in the municipalities of Kahramanmaras, Tekirdag, and Manisa. These municipalities are highly vulnerable to disasters and climate change and have multiple risk-prone areas that require urgent urban resilience investments. The selection of these municipalities was based on their socio-economic profiles, poverty, population, number of refugee population (if applicable) and GDP per capita figures, different geographic areas, municipal capacities, exposure to different types of natural hazards (e.g.,

flooding, earthquakes), and potential for in-situ redevelopment. All three municipalities are exposed to a range of natural hazards, with high exposure to earthquakes and river floods, as illustrated in Table 1. They are geographically dispersed across Turkey, have migrant/refugee populations, and have different levels of socio-economic development and capacity (see Table 2). The diversity among the three municipalities will allow for the development of typologies of cities to support the scalability of the project to other municipalities in Turkey over the longer term.

Table 1: Hazard Profiles for Project Municipalities¹

Municipality	Earthquake	River Flood	Urban Flood	Landslide	Wildfire	Water scarcity	Extreme Heat
Manisa	H	H	M**	H	H	L**	M**
Kahramanmaras	H	H	L**	H	H	L**	M**
Tekirdag	H	H	H	L**	H	M**	M**

Key: H = High; M = Medium; L – Low; N/A (hazard is unlikely); **hazard is expected to intensify with climate change

Table 2: Socio-economic Data and Impacts of Natural Disasters in Project Municipalities²

Municipality	Population (2018)	Growth Rate (2014-2016)	GDP Per capita (2018)	Socio-Development Index (2017) Ministry of Ind. &Tech.	Proportion of High-Density Urban Population (2014) based on TurkStat and Corine
Manisa	1,429,643	4%	9,455	0.49	0.14
Kahramanmaras	1,144,851	5%	5,747	-0.416	0.22
Tekirdag	1,029,927	12%	12,137	1.014	0.27

Project activities will require the use of a multi-sectoral approach, as investments cut across several sectors, including energy, finance, transport, water and sanitation, and poverty. Examples of investments could include, among others: i) increasing energy efficiency (EE) through investments in building construction, including the use of solar panels and improved insulation, water reuse and recycling and nature based solutions as appropriate; ii) gender actions; iii) community engagement and education on disaster preparedness and prevention (to manage the residual risk); iv) maximizing private finance where possible and targeting investments to the poorest and most vulnerable segments; and v) inclusive building and urban design for the elderly and disabled. To address these cross-sectoral priorities, the Bank will engage a multi-sectoral team from different global practices, such as FCI, poverty, social, environment, energy, and others. The composition of the team will be confirmed during preparation, once the scope of the project is fleshed out with the government.

¹ www.thinkhazard.org

² The Socio-Economic Development Index-2017 is developed by using Principle Component Analysis with 58 variables, including demographic data, employment rates, education level, health, accessibility, quality of life, financial data, and competitiveness levels. The index is used to rank provinces in terms of development level and categorizes them into six groups. It ranges from 4.051 to -1.788 with 4.051 being the highest (Istanbul) and -1.788 being the lowest (Sirnak).



The project will serve as a pilot to generate valuable lessons and solutions that can be scaled up and applied to additional cities in Turkey over time. The approach developed under the project will be efficient, flexible and scalable in order to address the vast needs of Turkish municipalities and to trigger investment in resilient homes and neighborhoods. The lessons learned from this Project will also be valuable for other countries, where there is a rapidly growing demand for investments in urban resilience. The Project design also builds on lessons learned from investment projects focused on urban resilience in countries such as Vietnam, Colombia, and other country experience from Japan, the United States, and previous urban resilience programs in Turkey. Lessons learned include the need to engage communities early in the process, ensure a multi-hazard risk approach is used, and to provide capacity building support to local governments to plan for efficient urban resilience investments and to manage World Bank procedures, policies and guidelines. Lessons will be further reviewed during project preparation.

The establishment of a financing framework to help address the scale of support required for urban resilience in Turkey will require crowding in funding from the private sector and other IFIs. This project will develop a framework to crowd in and prioritize public and private sector financing for urban resilience, which could include other multilateral development banks; interest in financing the government's urban resilience program has already been expressed by the Asian Infrastructure Investment Bank (AIIB) and the European Investment Bank (EIB). This framework will establish ways to maximize efficient and cost-effective approaches to urban transformation that leverages additional funds from the public and private sectors. The pilots aim to provide a strong institutional framework, improved and predictable planning, a variety of potential channels for financing, and enhanced capacity within government and municipalities, which will be required for other financiers to come on board in future.

During project preparation, once more location specific information is available, the gender gaps will be further assessed, and citizen engagement processes and indicators further designed. The TA activities to date have reviewed the currently proposed social impact assessment and participatory approaches developed by MoEU for the urban transformation program. It will be necessary, however, to further assess and gather further information on gender gaps, specifically where available on: gender differentiated impacts of disasters or responses to disasters; the Government's urban transformation strategies; and access to housing subsidies or other financial support. The assessment will also review ways that women and communities more broadly can contribute to improving the resilience of their communities and cities.

Finally, proposed investments will require labor intensive civil works, with the potential to create jobs to support the post COVID-19 crisis economic recovery. The project includes investment in infrastructure upgrading (such as upgrading of sidewalks, small roads, bike paths, public buildings, drainage systems, and other infrastructure), housing subsidies that contribute to housing construction and retrofitting, as well as investments in public buildings and public spaces. These activities will utilize large amounts of skilled and unskilled labor and will contribute to the local economies and job markets in the three Project municipalities. In addition, improved seismic resistant housing and living conditions will promote healthier, less crowded living spaces for low income families. Lastly, the inclusion of the CERC provides maximum flexibility to the Government to access financing quickly in the event of an emergency – be it a natural or man-made disaster or health emergency, per the national legislation.

Project Components. The project components are described below:

Component 1 - Institutional strengthening to enable conditions for urban resilience (EUR 6 million). The objective of this component is to strengthen the institutional framework for urban resilience and establish a scalable and sustainable approach to financing climate and disaster resilience investments in Turkish municipalities. The component is anticipated to have the following subcomponents:



- Subcomponent 1.1. - Elaboration of a financing framework for urban resilience and support to structuring urban regeneration projects. This subcomponent would support the preparation of a framework to support the MoEU (including municipalities) in assessing and financing urban resilience investments across a spectrum of asset types requiring upgrading, such as (energy-efficient) housing and public buildings, and critical and protective infrastructure, including first response and emergency services. The framework would support the government to determine when public financing may be prioritized to finance urban resilience investments versus private sector investments, or a hybrid approach. This subcomponent will inform the Ministry's approach, quality, and targeting of urban resilience interventions.
- Subcomponent 1.2 - Technical support to MOEU in conducting hazard risk assessments. This subcomponent would support additional development of the methodologies and datasets for conducting hazard risk assessments at the municipal level, using existing socio-economic data/demographics, land use and building datasets, infrastructure location and proximity analysis and hazard mapping (i.e. flood, landslide, earthquake, etc.). The methodology would support the development of models to visualize climate and disaster risk data in each of the central urban areas of target municipalities and their immediate peri-urban surroundings and apply scenarios (as possible with the available data) to show potential differences between current and future risks. The aim is to improve the capacity of the MoEU to support municipalities' long-term decision-making associated with critical and climate resilient infrastructure delivery and urban transformation projects.
- Subcomponent 1.3 - Technical assistance for enforcement support for building codes, including EE in public buildings, and standards and zoning policies. This subcomponent would finance the review, updating and enforcement of building codes and standards to identify any gaps or areas that require strengthening based on international good practice. It will also support the development of robust and rapid approaches to assess seismic vulnerability of existing buildings and this will support identification and prioritization of the most vulnerable buildings. It will also finance capacity building and guidance for target municipalities to improve enforcement of the building codes and will promote the integration of EE in public buildings that are prioritized for retrofitting or reconstruction.

Component 2 – Innovative Resilient Housing Finance targeting different typologies of risk prone areas (EUR 323 million). This component would structure funding for support to private households to enhance seismic resilience of housing located in urban transformation areas targeted by the project. This component will review the MoEU's existing housing subsidy programs for renters and homeowners living in target urban transformation areas to determine whether it is in line with housing markets in target municipalities and will seek to pilot a program to increase the effectiveness and efficiency of housing support programs, as well as improve the targeting of vulnerable groups. Funds may be channeled through domestic banks and could potentially finance activities such as: (a) housing retrofitting or reconstruction, (b) support to low income segments to access affordable, safe housing, (c) rental programs for families living in project areas; and/or (d) temporary resettlement of families during the construction or upgrading of housing. In addition, this sub-component will help vulnerable groups secure their tenure rights. Financing supported under this component would be designed to incorporate best practice experience from housing finance in other middle-income countries for incentivizing investment in green and resilient housing.

Component 3 – Municipal/Public infrastructure investments in urban disaster and climate resilience (EUR 167 million). This subcomponent would finance upgrading of critical infrastructure such as hospitals, kindergartens, emergency services (fire stations), municipal buildings, flood mitigation infrastructure such as drainage systems and canals, bike paths, retrofitting of bridges, improving or widening of sidewalks, improving EE of public buildings, solar panels and water reuse programs, community gardens, and permeable public space in pilot municipalities. These investments would be in areas that have been designated as risk prone and requiring improvements per the citywide hazard risk assessment conducted

under Component 1. Each city will have a tailored set of investments specific to the needs of the city, which will be confirmed at appraisal. This sub-component will also develop options to strengthen citizen engagement and participation in the design and planning of retrofitting and incorporation of EE in public buildings and seismic and flood management infrastructure, and public space/urban parks/evacuation centers. In addition, this component will explore the use of nature-based solutions for flood and drought mitigation and options for green infrastructure.

Component 4 – Contingent Emergency Response Component (EUR 0 million). This component would support carrying out of emergency reconstruction and recovery efforts under an agreed action plan of activities designed as a mechanism to implement the government’s response to an emergency. This provisional component would allow rapid reallocation of the IBRD financing under streamlined procurement and disbursement procedures, to cover emergency response costs (such as contracting emergency works, procurement of goods and services) following an adverse natural event. The contingent emergency component would be triggered by an official government declaration of an emergency, in accordance with the country’s laws and policies. The types of eligible investments would be included in the Project Operations Manual and included in the ESMF.

Component 5 – Project Management (EUR 4 million). This component will finance project management and implementation support activities, including, inter alia, Project audits; monitoring and evaluation of the Project; preparation and/or technical review of feasibility studies, screening for climate adaptation investments, detailed designs, engineering assessments, preparation of the Environmental and Social Impact Assessments (ESIA), Land Acquisition and Resettlement Action Plans (LARAP), etc. and other environmental and social instruments, citizen engagement, communication campaigns, monitoring of climate co-benefits, etc. It would also finance requirements related to the Bank’s fiduciary policies and guidelines, as well as the implementation of environmental and social standards.

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

The environmental and social risk is rated Substantial. The risk rating reflects the lack of experience of GDIUTS working with the Bank using the Environmental and Social Framework. It also reflects possible community resistance to certain investments. While overall the project is expected to result in positive impacts by increasing disaster/climate risk resilience at the municipal level, upgrading the current environmental management service infrastructure and use of renewable energy sources at the municipal level, the project activities will also have adverse environmental risks and impacts related to civil works such as dust and noise emissions, hazardous, including asbestos containing material (ACM), and non-hazardous waste generation, resource utilization for material needs during construction, occupational health and safety (OHS) risks, interruptions to public services and infrastructure, traffic safety risks, etc. Furthermore, the project may generate a series of social risks such as: (i) both permanent and temporary displacement, either physically and/or economic due to involuntary land acquisition; (ii) labor risks due to major civil works, which are mostly expected to be on brown fields and of labor intensive nature; (iii) the risks associated with the vulnerable groups that are likely to be impacted (such as Roma in Tekirdag, refugees and low income groups in Kahramanmaras); (iv) community health and safety risks due to civil works and urban upgrading activities; and (v) stakeholder and social resistance risks due to past negative experiences of urban transformation practices of the country. To address these risks, the GDIUTS will prepare



necessary ESF instruments by Appraisal: Environmental and Social Management Framework (ESMF); Resettlement Framework (RF); Labor Management Procedures (LMPs); Stakeholder Engagement Framework (SEF) and Environmental and Social Commitment Plan (ESCP). The World Bank will provide technical assistance and training to staff from GDIUTS on the ESF and will also provide support to project municipalities as needed. The required by the ESMF Environmental and Social Impact Assessments (ESIAs) or Environmental and Social Management Plans (ESMPs) and Land Acquisition Resettlement Action Plans (LARAPs) under RF will be prepared for each sub-project investment, as appropriate and a Grievance Mechanism (GM) will be set up within the project. In addition, other citizen engagement and participatory mechanisms will also be applied during the implementation period.

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APPROVAL

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