Public Disclosure Authorized

Public Disclosure Authorized

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

FOR OFFICIAL USE ONLY

Report No: PAD4494

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF EUR 420 MILLION

(US$449.25 MILLION EQUIVALENT)

TO

ILLER BANKASI ANONIM SIRKETI

WITH A GUARANTEE FROM THE REPUBLIC OF TÜRKİYE

FOR A

TÜRKİYE EARTHQUAKE, FLOODS AND WILDFIRES EMERGENCY RECONSTRUCTION PROJECT

June 15, 2022

Urban, Resilience And Land Global Practice

Europe And Central Asia Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS

(Exchange Rate Effective May 31, 2022)

Currency Unit =	Turkish Lira
TRY 16.40 =	USD 1
USD 0.06 =	TRY 1
EUR 0.93 =	USD 1
USD 1.07 =	EUR 1

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Anna M. Bjerde
Country Director:	Auguste Tano Kouame
Regional Director:	Sameh Naguib Wahba
Practice Manager:	Christoph Pusch
Task Team Leader(s):	Alanna Leigh Simpson, Joanna Mclean Masic, Ahmet Kindap

ABBREVIATIONS AND ACRONYMS

AFAD	Disaster and Emergency Management Presidency	ILBANK	Iller Bankasi Anonim Sirketi
BCR	Benefit-Cost Ratio	IMM	Izmir Metropolitan Municipality
CBA	Cost-Benefit Analysis	IPF	Investment Project Financing
CERC	Contingent Emergency Response Component	IRR	Internal Rate of Return
CPF	Country Partnership Framework	ISR	Implementation Status and Results Report
DRM	Disaster Risk Management	M&E	Monitoring and Evaluation
EE	Energy efficiency	MoEUCC	Ministry of Environment, Urbanization and Climate Change
ESF	Environmental and Social Framework	MoTF	Ministry of Treasury and Finance
ERR	Economic Rate of Return	MSP	Municipal Services Project
ESIA	Environmental and Social Impact Assessment	MRP	Mean Return Period
ESMF	Environmental and Social Management Framework	MTR	Mid-term Review
ESMP	Environmental and Social Management Plan	NPV	Net Present Value
ESS	Environmental and Social Standard	OHS	Occupational Health and Safety
EIA	Environmental Impact Assessment	PDO	Project Development Objective
ESMS	Environmental and Social Management System	PIU	Project Implementation Unit
FI	Financial Intermediary	PMU	Project Management Unit
FIF	Financial Intermediary Financing	POM	Project Operations Manual
FM	Financial Management	PPSD	Project Procurement Strategy for Development
GDP	Gross Domestic Product	RF	Results Framework
GBV	Gender-Based Violence	RPF	Resettlement Policy Framework
GFDRR	Global Facility for Disaster Reduction and Recovery	SECAP	Sustainable Energy and Climate Action Plan
GHG	Greenhouse Gas	SEF	Stakeholder Engagement Framework
GNP	Gross National Product	SEP	Stakeholder Engagement Plans
GRS	Grievance Redress Service	SCP	Sustainable Cities Project
IBRD	International Bank for Reconstruction and Development	SOP	Series of Projects
ICR	Implementation Completion and Results Report	STEP	Systematic Tracking and Exchanges in Procurement
IFC	International Finance Cooperation	SUTP	Syrians Under Temporary Protection
IFI	International Financing Institution	TA	Technical Assistance
ILO	International Labor Organization		

TABLE OF CONTENTS

DATASHEET

BASIC INFORMATION

Country(ies)	Project Name		
Turkiye	Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project		
Project ID	**Financing Instrument**	**Environmental and Social Risk Classification**	**Process**
P176608	Investment Project Financing	Substantial	Urgent Need or Capacity Constraints (FCC)

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[✓] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[ ] Performance-Based Conditions (PBCs)	[ ] Small State(s)
[✓] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[✓] Responding to Natural or Man-made Disaster
[ ] Alternate Procurement Arrangements (APA)	[ ] Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
29-Jun-2022	30-Sep-2026
Bank/IFC Collaboration	
No	

Proposed Development Objective(s)

To support green and resilient disaster reconstruction in municipalities affected by earthquake, floods or wildfires, to strengthen municipal capacity for disaster resilience, and to respond promptly and effectively in the event of an Eligible Crisis or Emergency.

Components

Component Name	Cost (US$, millions)
Green and Resilient Rehabilitation, Reconstruction and Construction of Municipal Infrastructure and Actions to Strengthen Municipal Resilience	440.64
Technical Assistance to Support Green, Resilient and Inclusive Cities	5.35
Project Management and Operations	2.14
Contingent Emergency Response Component	0.00

Organizations

Borrower:	Iller Bankası A.S. (ILBANK), with a guarantee from Türkiye
Implementing Agency:	Local Authorities

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	449.25
Total Financing	449.25
of which IBRD/IDA	449.25
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	449.25

Expected Disbursements (in US$, Millions)

WB Fiscal Year	2022	2023	2024	2025	2026	2027
Annual	0.00	30.00	100.00	135.00	155.00	28.13
Cumulative	0.00	30.00	130.00	265.00	420.00	448.13

INSTITUTIONAL DATA

Practice Area (Lead)

Urban, Resilience and Land

Contributing Practice Areas

Climate Change, Energy & Extractives

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Moderate

6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Moderate
9. Other	Moderate
10. Overall	Substantial

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

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

Loan Agreement (LA), Schedule 2, Section I.A.1. The Borrower shall maintain, until the completion of the Project, a Project Management Unit to be responsible for coordinating and supervising Project implementation, and for providing implementation support to the Project Municipalities and Project Utilities, and their respective Project Implementation Units.

Sections and Description

LA, Schedule 2, Section I.A.2. For the implementation of Part 1 of the Project, the Borrower shall ensure, or cause to ensure, that: (a) each Project Municipality and Project Utility receiving a Sub-loan under this Project, establishes no later than thirty (30) days following the execution of the first Sub-loan Agreement to that Project Municipality or Project Utility, as the case may be, and thereafter maintains throughout the period of Project implementation, a Project Implementation Unit for the implementation of that Project Municipality's or Project Utility's Subproject activities financed by this Project

Sections and Description

LA, Schedule 2, Section I.B.1. The Borrower shall maintain throughout Project implementation, a Project Operations Manual ("POM"), in substance and manner acceptable to the Bank.

Sections and Description

LA, Schedule 2, Section I.C.4(a). Except as the Bank shall otherwise agree, the Borrower shall provide Sub loans to the Project Municipalities and Project Utilities in support of selected Subprojects on terms and conditions acceptable to the Bank.

Sections and Description

LA, Schedule 2, Section I.C.1. In carrying out Part 1 of the Project, the Borrower shall ensure that, unless otherwise agreed to by the Bank in writing and thereafter incorporated into the POM, each Subproject is appraised, selected and prioritized in accordance with standards, criteria and procedures acceptable to the Bank, as specified in this Agreement and further detailed in the POM.

Sections and Description

LA, Schedule 2, Section I.C.3(c). The Borrower shall furnish to the Bank each Subproject proposal for review and approval, which shall occur prior to the commencement of any bidding process or civil works for the relevant Subproject.

Sections and Description

LA, Schedule 2, Section I.C.4(b). The Borrower shall obtain a written agreement ("Sub-loan Agreement") with each Project Municipality and Project Utility that sets forth the terms and conditions for the Sub-loan, acceptable to the Bank, and rights adequate to protect its interests and the interests of the Bank and the Guarantor.

Sections and Description

LA, Schedule 2, Section I.E.1 and 2. The Borrower shall ensure that the Project is carried out in accordance with the

Environmental and Social Standards, and the Environmental and Social Commitment Plan, in a manner acceptable to the Bank.

Sections and Description

LA, Schedule 2, Section I.D.1(a), (b), and (c). In order to ensure the proper implementation of contingent emergency response activities under Part 4 of the Project ("Contingent Emergency Response Component"), the Borrower shall ensure that (a) a manual ("CERC Manual") is prepared and adopted by in form and substance acceptable to the Bank, (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Bank; and (c) the Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan.

Sections and Description

LA, Schedule 2, Section I.F.1. The Borrower shall prepare and furnish to the Bank not later than December 15 of each year during the implementation of the Project, a proposed Annual Work Plan and Budget and afford the Bank a reasonable opportunity to exchange views on each such proposed Annual Work Plan and Budget, and shall thereafter ensure that the Project is implemented with due diligence during said following year, in accordance with such Annual Work Plan and Budget as shall have been approved by the Bank.

Sections and Description

LA, Schedule 2, Section I.D.2. The Borrower shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Component, with adequate staff and resources satisfactory to Bank.

Sections and Description

LA, Schedule 2, Section I.D.3. The Borrower shall ensure that: (a) the environmental and social instruments required for the Contingent Emergency Response Component are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Bank; and (b) the Contingent Emergency Response Component is carried out in accordance with the environmental and social instruments in a manner acceptable to the Bank.

Conditions

Type	Financing source	Description
Effectiveness	IBRD/IDA	LA, Section 4.01. The Additional Conditions of Effectiveness consist of the following: (a) the Borrower has adopted a Project Operations Manual acceptable to the Bank; (b) the Borrower has properly staffed its Project Management Unit ("PMU"), with positions, terms of reference, and staff qualifications acceptable to the Bank, including assignment of, inter alia, one (1) environmental specialist, one (1) social expert, and one (1) occupational health and safety specialist to the PMU; and (c) the Borrower has properly adjusted its existing grievance redress mechanism for the purposes of the Project, and operationalized said mechanism, all in a manner acceptable to the Bank.

Type	Financing source	Description
Disbursement	IBRD/IDA	LA, Schedule 2, Section III.B.1(b). No withdrawal shall be made for Emergency Expenditures under Category (3), unless and until all of the following conditions have been met in respect of said expenditures: (i) (A) the Borrower has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Bank a request to withdraw Loan amounts under Category (3); and (B) the Bank has agreed with such determination, accepted said request and notified the Borrower thereof; and (ii) the Borrower has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Bank.

I. STRATEGIC CONTEXT

A. Country Context

1. **Türkiye enjoyed high growth rates between 2002-17 that supported poverty reduction, but recent shocks are risking the economic and social gains made since the early 2000s.** Türkiye achieved rapid economic and social development in the 2000s, with poverty incidence more than halving and real Gross Domestic Product (GDP) increasing by 50 percent by 2008. Since the Global Financial Crisis (GFC), rapid growth continued but was increasingly associated with stagnant productivity, a rising current account deficit and growing foreign exchange-denominated debt stock. Policies to stimulate the economy after the failed coup led to economic overheating in 2017, double-digit inflation, and a large current account deficit. The cumulative effects of these and other economic vulnerabilities came to a head in mid-2018, with the tightening of global economic conditions combined with challenges in international relations. These events triggered a significant depreciation of the Turkish lira and a turmoil in the Turkish economy. Spending fell, inflation accelerated, and the corporate sector struggled under an elevated debt burden. Türkiye experienced three quarters of negative growth from late 2018 to mid-2019, close to one million jobs were lost. GDP per capita fell to US$9,793, from a high of US$12,582 in 2013, while poverty reduction progress stalled in 2018.

2. **An emergent economic recovery starting late 2019 was undermined by the COVID-19 pandemic but the swift policy led to sharp rebound in the economy.** Over the course of late 2018 and 2019, the economy went through significant adjustments. Current account imbalances declined sharply, banks and corporates reduced their exposure to foreign currency debt, private sector credit growth resumed, and demand had started to recover. By the end of 2019, economic activity was rebounding with strong growth in the fourth quarter but disrupted by the onset of the COVID-19 pandemic in early 2020. The COVID-19 health crisis quickly turned into a deep economic turmoil all around the world and Türkiye experienced a sharp contraction in GDP (10.4 percent, year-on year) in 2020 Q2. The government responded swiftly to COVID-19 with a large economic stimulus program, summed up 14% of GDP, focused on opening credit channels and loosening monetary policy and other regulatory measures as well as direct support. The stimulus generated a significant increase in economic activity in late 2020 that more than offset the decline recorded earlier in the year. This policy response led Türkiye's economy to be one of the few countries with positive growth in 2020. However, the policy frameworks that ensured a strong economic rebound during the pandemic also heightened macroeconomic risks, including rising inflation, currency depreciation, corporate and banking sector vulnerabilities and decline in reserve buffers.

3. **Türkiye's economic performance has been a tale of two economies—overall solid performance of the real economy, matched by volatility in macro-financial conditions in 2021.** A favorable base effect, an easing of restrictions permitted by accelerated vaccinations, and supportive external demand led to double digit GDP growth in 2021 with the economy and employment surpassing pre-pandemic levels. The monetary easing cycle since September 2021 had adversely affected macro-financial conditions, the Lira depreciated significantly and inflation accelerated to its fastest rate since August 2018, external pressures mounted, and corporate and financial sector vulnerabilities grew.

4. **The 2022 growth projection for Türkiye reflects a slowing momentum with downside risks, coming off a high GDP base and macro financial turbulence in 2021.** The Turkish economy grew by 11 percent in 2021 and is expected to grow by 2.0 percent and 3.0 percent in 2022 and 2023. Net exports are expected to drive more than two thirds of growth in 2022, offsetting the drag in domestic demand from weak investment and high inflation. Risks are recently heightened due to continued investor uncertainty about economic policies in Türkiye and abroad, heightened global liquidity

tightening prospects, COVID-19 Omicron variant, and rising supply chain constraints. Going forward, efforts to enhance policy credibility and macro stability coupled with reforms focused on labor, product, and financial markets as well as on strengthening institutional capacity are needed to ensure sustainability of growth and employment generation in the medium term.

B. Sectoral and Institutional Context

5. **Long term sustainable growth in Türkiye requires a reduction in the physical, social, and economic shocks associated with geophysical and climate change-induced disasters.** Floods, wildfires, storms and landslides are frequent events in Türkiye and result in localized losses. Observed and anticipated climate change impacts, such as more intense precipitation, extreme heat and rising sea level, are expected to lead to increasing risks to natural disasters, including more frequent and intense flooding in low-lying areas of river deltas and coastal cities and other extreme weather events, such as storms, hail, and tornadoes.[1] For coastal cities, flooding will not only be an increasing threat to human life, but economic losses are projected to increase as well. A conservative projection of a 20 cm sea level rise, with no adaptation measures taken, would increase the mean annual disaster loss for Istanbul, for example, from $13 million to $327 million, a 40 cm increase to $1.746 billion. A similar trend is observed in Izmir, with losses increasing from $7 million to $314 million and $997 million respectively.[2] Although less frequent, earthquakes have claimed the highest number of lives and caused the greatest economic loss in Türkiye, with 76 earthquakes since 1990 resulting in approximately 20,000 fatalities, a total affected population of 4.4 million, and direct losses exceeding $25 billion.[3] Going forward climate models predict increasing anomalies in precipitation patterns with increased incidence of extreme rain and flooding on the one hand as well as protracted drought, extreme heat and forest fires on the other. In fact, 2021 marked both the most severe forest fires in Türkiye's south and west regions recorded in history as well as catastrophic flooding in the north region. As a result of rising temperatures, extreme variability in rainfall and protracted heatwaves, both flooding and wildfires are likely to become more frequent with implications for cities, agriculture and tourism. Increased incidence of forest fires and the decreased rainfall for hydropower, in turn may further contribute to greenhouse gas (GHG) emissions in the future.

6. **Türkiye has enacted regulatory and institutional reforms to reduce seismic risk in the built environment, often in response to major disaster events.** Over time, these revisions have resulted in a strong regulatory framework for seismic resilient design and construction of buildings and infrastructure and improved supervision and enforcement of the regulations. The most recent probabilistic seismic hazard map of Türkiye was finalized in 2016 under the leadership of Türkiye's Disaster and Emergency Management Presidency - AFAD - which also revised the standing earthquake code in 2016.[4] Endorsed by the decision of the Cabinet of Ministers,[5] this seismic hazard map of Türkiye provides a consistent and official measure of the seismic hazard across the country and facilitates mainstreaming of seismic risk reduction investments. However, despite these advances, Türkiye has millions of buildings that were constructed prior to 2000 when the modern seismic codes were introduced. Generally, buildings that are prior to 2007 or with poor adherence to

[1] Republic of Turkey Ministry of Environment and Urbanization (2018), Seventh National Communication of Turkey under the UNFCCC. Ankara: Ministry of Environment and Urbanization.
[2] Hallegatte, S., Green, C., Nicholls, R. J., Corfee-Morlot, J. (2013), Future flood losses in major coastal cities. Nature climate change, 3(9), 802-806.
[3] EM-DAT, CRED / UCLouvain, Brussels, Belgium – www.emdat.be
[4] The objective of the revised code is to establish minimum structural performance and design standards for public and private building stock which is in full or in part exposed to seismic risk and which are considered to be rebuilt, retrofitted, renovated and/or expanded.
[5] dated January 1, 2019.

the 1998 code are considered to have poor construction with higher chance of serious damage or collapse due to earthquakes as well as higher risks for flooding, landslides, snow and wind loading. Buildings constructed with strong adherence to the 2007 code are considered by engineers as sufficiently resistant to earthquakes such that they can be used in the aftermath of disaster. Seismic resistance, as defined under this Project, will refer to a building complying with the structural requirements provided under the Earthquake Regulation which has been updated and entered into force on January 1, 2019.[6]

7. **Buildings and infrastructure in Türkiye and their occupants face climate related risks from floods, storms (wind and snow loading), landslides, extreme heat and cold, and water scarcity.** Construction considerations for snow and wind loading were integrated into the 1998 revision of construction codes; however, older buildings may require strengthening especially if extreme weather conditions become more frequent. Turkish regulations prohibit construction of public buildings in flood zones. Unfortunately, flood maps are often not available at the resolution needed for detailed urban planning. The prevalence of flash and urban floods is increasing rapidly, due to increased impermeable surface areas in cities that result in a commensurate increase in rainfall run-off combined with storm water systems that were not designed for the intense rainfall events experienced now and expected to be experienced more often in the future. Notwithstanding the limited flood information, it is possible to take decisions at the urban and asset level that reduce flood extent and depth and prevent damage to expensive building and equipment components in the event of water ingress.

8. **Water scarcity is an increasing concern in many areas of Türkiye with longer periods of drought now threatening urban water supplies.** Climate change projections for the next decades indicate that water scarcity is likely to increase. Overall precipitation in certain regions is expected to decrease, while mean temperatures rise, which could lead to winter precipitation turning from snow to rain. Snow is considered an important stored source of water and this development is particularly concerning for the sensitive snow and rainfall systems in the Euphrates-Tigris basin.[7] Therefore, there is an urgent need to start integrating water resource management into building design, through more efficient plumbing and water-saving devices as well as use of rainwater harvesting and grey water systems. Similarly, with more extreme temperatures on the rise, thermal insulation is critical for ensuring comfort of building occupants without a commensurate increase in energy consumption.

9. **Türkiye's growing cities are large consumers of natural resources.** Besides a growing urban population, Türkiye also has a growing number of cities with a population of over 300,000. The growth of Turkish cities has implications for the consumption of natural resources, energy, and transport, and how susceptible they will be to future resource constraints and pollution. A city without a strong urban planning framework can sprawl and consume large areas of land with infrastructure needs that can be costly and inefficient to deliver. Moreover, cities with inadequate public transit systems and adequate cycle and pedestrian paths force residents to use private vehicles that cause congestion, air pollution, and carbon emissions, with negative impacts on the environment and human health.[8] Water supply systems with high losses can represent a serious cost to dwindling water sources, and inadequate wastewater systems can

[6] There have been ten revisions to the building codes for Türkiye since 1940, with a major revision to the code in 1998 following the devastation of the 1999 earthquakes. The latest revision to the seismic code, the Earthquake Regulation, has been updated and published in the Official Gazette in March, 2018 and came into force in January 2019 (known as TBEC-2018) replacing the 2007 code.

[7] Demircan, M., Gürkan, H., Eskioğlu, O., Arabaci, H., & Coşkun, M. (2017), Climate Change Projections for Turkey: Three Models and Two Scenarios. Turkish Journal of Water Science & Management, 1(1), 22-43.

[8] Floater, Graham; Rode, Philipp; Robert, Alexis; Kennedy, Chris; Hoornweg, Dan; Slavcheva, Roxana; Godfrey, Nick (2014): Cities and the new climate economy: the transformative role of global urban growth. NCE Cities – Paper 01. London.

contaminate land and water sources, making them a risk to environmental health. Cities are also major consumers of energy, which presents a critical challenge given Türkiye's energy dependence and reliance on energy imports.

10. **Climate change projections predict a steep increase in energy consumption for cooling in Türkiye's cities.** Under a moderate RCP4.5 climate model scenario, the mean temperature throughout Türkiye is projected to increase by 2°C by 2040, and up to 4°C during summer months by 2070. In spring and summer months, the greatest increase in temperature anomalies may be seen in the west of Türkiye, where large coastal metropolitan areas are located.[9] This will have effects on cooling requirements most of which will likely negatively impact energy consumption and therefore contribute to increased GHG emissions. In urban areas, increased cooling of buildings generates more exhaust heat and can perpetuate the heat island effect.[10] In the context of climate change, incorporating Energy Efficiency (EE) into building improvements or in the construction of new buildings as well as increasing green spaces is critical for reducing pressure on power grids, reducing the urban heat island effect, reducing emissions and improving human health and resilience.

11. **Türkiye's municipalities are at the forefront of managing 3.75 million Syrians under Temporary Protection (SUTP).** Türkiye has become one of the world's largest refugee-hosting countries, with a rapidly changing population distribution in areas already at high disaster risk. More than 95 percent of Syrians in Türkiye reside in urban centers. For example, Kilis Province, which lies on the border with Syria, now hosts more SUTPs than Turkish residents (73.39%).[11] Globally, refugees are often some of the most vulnerable members of society and likely to be more adversely impacted by disasters. In addition, increased risk of drought and forest fire in some areas and sea level rise in others, could exacerbate rural to urban, or urban to urban, and climate induced human migration.

12. **The Government and the World Bank developed a Sustainable Cities Series of Projects (SOP) aimed at supporting improvements to the environmental, economic, financial, and social sustainability of Turkish cities by improving access to priority municipal services.** The Sustainable Cities Series of Projects built on a Municipal Services Project (MSP) and its Additional Financing (MSP-AF), which was implemented between 2005 and 2016, together with Iller Bankası A.S. (ILBANK). ILBANK is an incorporated, non-deposit-taking development and investment bank established in June 1933 that provides financial resources to municipalities and is considered a financial intermediary (FI). ILBANK has two core functions: (a) support of infrastructure development at the subnational level through technical assistance, grants, and loans, and (b) transfer of central tax revenues to the local authorities. Further details about ILBANK and the summary of an FI assessment of ILBANK are provided in Annex 2. ILBANK completed a grant financed activity with the World Bank named "Support to Ilbank on Climate and Disaster Risk Management Capacity Building". This activity provided ILBANK with a clear and practical framework to identify both relevant climate and disaster risks to municipal projects and cost-effective measures that could increase the resilience of planned infrastructure investments – with a focus on water and transport infrastructure. Under this activity, separate reports were also prepared for disaster risk management strategies for flood risks at Rize and earthquake risks at Kahramanmaraş.[12] Moreover, several other World Bank Projects in Türkiye are aimed at building disaster and climate resilience in public buildings and provide a strong foundation for future investment, including the Seismic Resilience and Energy Efficiency in Public Buildings (under

[9] Republic of Turkey Ministry of Environment and Urbanization (2018), Seventh National Communication of Turkey under the UNFCCC. Ankara: Ministry of Environment and Urbanization.

[10] IEA (2018), The Future of Cooling, IEA, Paris https://www.iea.org/reports/the-future-of-cooling

[11] https://en.goc.gov.tr/temporary-protection27.

[12] This work is supported by the Japan-World Bank Program for Mainstreaming DRM in Developing Countries, which is financed by the Government of Japan and managed by the Global Facility for Disaster Reduction and Recovery (GFDRR) through the Tokyo Disaster Risk Management Hub

implementation), the Disaster Risk Management in Schools Project (under implementation), and the Istanbul Seismic Risk Mitigation and Emergency Preparedness Project (ISMEP, closed).

Request for Urgent Needs of Assistance for Municipalities affected by Wildfires, Floods and Earthquakes in 2020 and 2021, including Adana, Antalya, Balıkesir, Bursa, Düzce-Akçakoca, Düzce, Elazığ, Hatay, İzmir, Kastamonu, Konya, Malatya, Muğla, Rize, Samsun, Sinop, Sinop-Türkeli, Tokat-Erbaa, Trabzon and Zonguldak.[13]

13. **The residents of Izmir suffered a series of disasters throughout 2020 and 2021.** Drought conditions prevailed through 2020 threatening city water supplies, a damaging earthquake and tsunami struck on October 30, 2020, and then through December 2020 to February 2021 the city was hit with three devastating flash floods. These events have resulted in significant damage to private and public buildings and municipal infrastructure, leaving residents homeless, displacing municipal employees and disrupting the provision of critical social and medical services. A rapid damage assessment of the 6.9 magnitude Aegean Sea earthquake indicated that economic loss would exceed US$900 million (or equivalent of 0.12 percent of the Turkish 2019 GDP).[14] Between December 2020 and February 2021, the city of Izmir was heavily affected by intense rainfall and flash flooding events. In February 2021 for example, 150 percent of the average monthly rainfall fell in under 10 hours, triggering flash floods across the city. In the most affected area, homes and workplaces were inundated, cars washed away, roads blocked with debris, bridges and culverts damaged and two fatalities were reported. Bridges sustained significant damage and rural areas were disconnected due to flooded roads. These intense rainfall events in Izmir are expected to become more frequent as climate models predict increasing anomalies in precipitation patterns, and the existing wastewater network is ill-prepared to cope with increased volumes of stormwater, necessitating the need for urgent measures to reduce rainfall run-off and to expand stormwater system capacity.

14. **Extreme heat and wildfires in the summer of 2021 severely impacted southern and western Türkiye, particularly tourist destinations such as Antalya[15] and Muğla**. These wildfires were the worst ever in Türkiye's history[16] and resulted in severe ecological, economic, cultural and social damage, a severe deterioration in air quality and increase in Greenhouse Gas (GHG) emissions.[17] The summer 2021 fires destroyed an estimated 170,000 hectares of forests (25 times the average between 2008 and 2020), triggered extensive evacuations, damaged urban and agricultural infrastructure, impacted 35 neighborhoods, 200 households[18] and nine people are reported to have died.[19] Antalya and Muğla suffered the most devastating damage, with 88 percent of the deaths in Antalya. The spread and longevity of fires are attributed to climate change, high temperatures (with average temperatures 3-6 degrees Celsius above average, and sustained temperatures above 40 degrees Celsius[20,21]), low humidity, drought and strong winds. These extreme weather conditions are likely to increase as the climate warms and place even more lives, livelihoods and assets at risk. Increased incidence

[13] The final list of participant municipalities and utilities will be selected based on technical analysis of proposed subprojects as well as creditworthiness of local authorities.

[14] World Bank/GFDRR. 2020. Magnitude 6.9 Aegean Sea Earthquake – Impact on Turkey: Global Rapid Damage Estimation (GRADE) Report. Analysis was financed from the Global Facility for Disaster Reduction and Recovery (GFDRR)

[15] According to the Antalya 2013 Sustainable Energy Action Plan, the region absorbs 40 percent of the country's tourism

[16] European Forest Fire Information System

[17] *https://www.copernicus.eu/en/european-forest-fire-information-system*

[18] https://reliefweb.int/report/turkey/turkey-forest-fires-situation-report-manavgat-03-august-2021

[19] https://reliefweb.int/report/turkey/information-bulletin-turkey-wildfires-10082021

[20] https://www.hurriyetdailynews.com/forest-fires-break-out-as-turkey-experiences-hottest-days-165854

[21] *https://www.copernicus.eu/en/european-forest-fire-information-system*

of forest fires, increased heat waves and need for cooling, and the decreased rainfall for hydropower, in turn may further contribute to GHG emissions in the future.

15. **Municipalities located predominantly along the Black Sea, such as Kastamonu and Sinop, suffered a series of flood disasters over summer 2021**. In August 2021, flooding devastated cities in the northern Black Sea region. According to Disaster and Emergency Management Presidency (AFAD), an estimated 2,500 people were evacuated from flood-affected areas and 83 people are reported to have died, 73 in Kastamonu district, 10 in Sinop[22]. The floods destroyed buildings (predominantly homes) and infrastructure such as bridges, electricity, drinking water and sanitation networks and silted rivers, streams and stormwater infrastructure. The flooding was attributed to excessive rainfall resulting in rivers bursting their banks, landslides, and overwhelmed stormwater infrastructure. Declarations of disasters were made in affected areas and financial support offered to affected citizens.

16. The municipalities of Elazig and Malatya were also seriously affected by earthquakes in January 2020 which left 41 dead and 1,600 injured. Annex 4 provides an overview of the disasters and affected populations.

An Urgent Case for Building Disaster and Climate Resilience and Fostering Green Growth

17. **In the face of mounting climate and disaster risks and losses, it is crucial for cities to promptly reduce emissions and increase resilience to climate change and natural hazards. Doing this effectively requires long-term systematic planning.** IMM has been proactive and recently developed and launched a Sustainable Energy and Climate Action Plan (SECAP) and Green City Action Plan (GCAP). The Izmir SECAP details Izmir's road map to build resilience to climate change through to 2030 and includes 30 urgent adaptation actions. These actions are based on the climate risks facing the city, with six of nine climate hazards rated at "high", two at "medium" and one at "low" risk. Amongst the highest risk climate hazards, excessive precipitation and flooding represent the most urgent risks that need to be addressed. The GCAP highlights the significant disaster and climate risks İzmir faces, including an annual maximum temperature of 3.6 degrees Celsius increase in the 2050-2100 period, and a 65 mm decrease in annual precipitation. These factors will increase water scarcity and increase demand for cooling across the region. The GCAP and SECAP plans recommend, *inter alia,* the following measures: i) rapid uptake of renewable energy and an increase in energy efficiency (EE) measures; ii) the application of green space and nature-based solutions to capture and use rainwater, including an increase in permeable surfaces; and iii) implementation of water efficiency standards. Another example can be found in Antalya which was the first Turkish city to adopt a Sustainable Energy Action Plan (SEAP) in 2013 which committed to a 20 percent reduction in GHG emissions by 2020. Buildings, equipment, facilities and energy consumption contribute 56 percent of the city's GHG emissions, followed by transport at 35 percent and other at 9 percent. Some of the notable priorities in the SEAP action plan include i) energy efficiency in buildings; ii) increase mode share of public transport (to 10 percent), cycling (from 1 to 10 percent) and walking (from 30 to 35 percent); iii) use of renewable energy in hotels, agricultural purposes, use of PV on building roofs; iv) improving operating conditions of all wastewater treatment plants and v) increased public awareness on energy efficiency throughout the city. A SECAP is also under preparation for Adana and Manisa under Component A of the first Sustainable Cities Project.

18. **City plans are aligned with national ambitions for energy efficiency and climate change,** including the Energy Efficiency Law (2007), the National Climate Change Strategy (NCCS, 2010-2023), the National Climate Change Action Plan (NCCAP, 2011-2023), the Energy Efficiency Strategy (2012) and the successive Energy Efficiency Action Plans (NEEAP,

[22] https://www.afad.gov.tr/bartin-kastamonu-ve-sinopta-meydana-gelen-yagislar-hakkinda---1330

2016). The NEEAP, approved in January 2018, calls for $11 billion investment in energy saving measures to reduce consumption by 23.9 million tons equivalent petroleum (14 percent) by 2023. Mitigation and adaptation investments are also a critical factor in reaching Türkiye's climate commitments to the Paris agreement which Türkiye ratified in October 2021. The country's *Intended Nationally Determined Contributions* (INDC) for period 2021-2030 aim at reducing energy consumption through new and existing residential and service buildings and through policy and technical solutions. Together with other climate change mitigation measures, this is intended to decrease Türkiye's GHG emissions by up to 21 percent comparing to the business-as-usual scenario.[23] With the recent ratification, Türkiye is expected to adopt new action plans, revise and adapt its NDC and set more ambitious targets such as net zero by 2053.

19. **The proposed Project responds the immediate and most critical reconstruction and rehabilitation needs from recent wildfires, floods and earthquakes, while also proactively tackling urgent measures required to build resilience to disaster and climate risks which are growing in frequency and intensity.** All interventions under the Project are designed from the start to consider green and sustainable approaches, such as energy efficiency, renewable energy, rainwater harvesting, building resilience to disasters and climate change through structural strengthening of infrastructure and increasing emergency response capacity for fires, floods and other disasters. By taking an integrated and holistic approach, every intervention is expected to yield multiple positive benefits. Box 1 provides an overarching description of the green, resilient and inclusive measures integrated through the Project design. The learning developed under this Project will support ILBANK and municipalities over the long-term to achieve their vision for a green and resilient future, as well as provide a model for other cities in Türkiye, the Europe and Central Asia (ECA) Region and globally. Moreover, the Project will test and promote approaches to embed sustainability, resilience, and inclusion into emergency recovery and reconstruction efforts.

[23] UNFCCC (2016). Intended nationally determined contributions (INDCs).
https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Turkey%20First/The_INDC_of_TURKEY_v.15.19.30.pdf

Box 1. Definitions and Concepts of Green, Resilience and Inclusive to be Applied through this Project

Green: Interventions under this Project are considered Green when they meet the following requirements:

- *Zero Waste.* Promotion and awareness, as well as access to systems, to reduce waste and increase recycling, reuse and recovery of products.
- *Reduced Water Consumption* through low flush toilets, water efficient taps, rainwater capture and grey water re-use, etc. will be critical for cities in the future where droughts such as the 2020 are expected to become more frequent.
- *Pedestrian and Cycle Friendly Infrastructure.* Bridges and parks will have sufficient space/lanes for pedestrians and cyclists
- *Measures to reduce the urban heat island effect and promote sustainble cooling (aimed at reducing energy consumption and human vulnerability).*

Resilient: Interventions under this Project contribute to disaster resilience and climate adaptation through:

- *Adequate Seismic Resistance:* Meets seismic strength according to Turkish Earthquake Building Code (TBEC-2018)
- *Adequate Storm Resistance:* meets building code for wind loading.
- *Flood resilience.* Separation of stormwater and sewerage system will improve capacity of stormwater management infrastructure even in areas located outside established coastal and riverine flood areas.

Inclusive: Interventions under this Project support inclusivity when they support:

- *Promotion of employment for women.* The Project aims to support greater employment opportunities for women through access to training and professional opportunities, access to low skilled work as well as contributing to improved ability for females to work outside the home through increased access to childcare services.

C. Relevance to Higher Level Objectives

Country Partnership Framework

20. **The proposed Project is aligned with the World Bank Country Partnership Framework (CPF)[24] for Türkiye for FY18-21 that was extended in the Program and Learning Review (March 2020) to cover the F22-23 period.[25]** The CPF sets out the overall objective of supporting Türkiye in achieving more sustainable and inclusive development by focusing on growth, inclusion, and sustainability dimensions. The proposed Project contributes to CPF Focus Area 3: Sustainability, with significant contributions to CPF Objectives 8 and 9, and some contribution to CPF Objectives 6 and 7. Under Sustainability, Türkiye reaffirmed its strong commitment to scale up its actions on addressing climate change and has requested WBG and international support for this. CPF Objective 8 focuses on the improved sustainability and resilience of cities, and this Project will improve the seismic and broader disaster resilience of municipal infrastructure. These investments contribute to life safety, continuity of critical public services, and provide a demonstration of resilient public infrastructure. The Project is also aligned with Türkiye's *Nationally Determined Contribution* to the Paris Climate

[24] CPF Report # 11096-TR discussed at Board on August 29, 2017
[25] PLR Report # 14253-TR discussed at Board on March 13, 2020

Agreement that aims to reduce up to 21 percent of GHG emissions from business-as-usual scenario by 2030, including through buildings and urban transformation and improved waste management.[26]

World Bank Targets for Climate Action (2021-2025) and European and Central Asia (ECA)'s Green Transition

21. The Project contributes to the World Bank climate targets for 2021-2025 by supporting climate mitigation and adaptation in the infrastructure sector. The proposed operation is also in line with ECA's Green Transition priorities, and directly contributes to Natural Disaster and Climate Resilience (reducing risks and strengthening resilience to natural disasters and climate change) and Decarbonization (supporting economic transformation toward low carbon economics). Moreover, the Project supports adaptation to climate change through consideration of disaster and climate risks in infrastructure designs and subsequent civil works which build resilience to storms, floods, extreme heat and cold, and geophysical risks. Finally, the Project will support increased resilience to climate change by upgrading storm water systems and bridges to withstand more intense and prolonged rainfall events that with climate change are overwhelming the cities' systems. Annex 3 provides additional details on how this Project supports progress on both mitigation and adaptation.

22. **This Project is expected to be transformational by testing a holistic approach to embedding low carbon and disaster and climate resilient design into disaster reconstruction.** This Project will deliver integrated investments that meet identified needs to improve multi-hazard resilience and climate change sustainability — an approach that provides infrastructure users immediate benefits (without an earthquake or other type of disaster) as well as long-term benefits of improved functionality and sustainability. The Project also builds in a contingent emergency response component, aimed at supporting rapid reconstruction of disaster affected area — an approach that is demonstrated to reduce the social, physical and financial disruptions and impacts of disasters.

World Bank Group COVID-19 Crisis Response Approach Paper

23. **The proposed operation addresses the core principles of sustainability in the "scaling up selectively for impact" articulated in the WBG COVID-19 Crisis Response Approach Paper.** The proposed Project contributes to Pillar 4 "strengthening policies, institutions and investments for resilient, inclusive and sustainable recovery by Rebuilding Better":

(a) *Investing in sustainability and climate change mitigation and adaption*. Building disaster and climate resilience in municipal infrastructure (as well as increased EE) and increasing disaster response capacity in municipalities directly contributes to sustained development and reduces the physical, fiscal, and social shocks of disasters.

(b) *Investing in resilient municipal infrastructure*. During the COVID-19 pandemic, many critical services have been disrupted and infrastructure damaged due to disaster and emergency events. These events have highlighted the need to urgently invest in more disaster and climate resilient public buildings.

(c) *Increasing employment and economic activity*. This Project is expected to generate activity in the construction and engineering sectors in Türkiye which can drive increased employment in a range of low- to high-skilled jobs.

[26] UNFCCC (2016). Intended nationally determined contributions (INDCs).
https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Turkey%20First/The_INDC_of_TURKEY_v.15.19.30.pdf

24. **The proposed Project is also well aligned with the recent "from COVID-19 crisis response to resilient recovery – saving lives and livelihoods while supporting Green, Resilience and Inclusive Development".**[27] This Project will support cities to recover from the COVID-19 pandemic as well as a series of devastating disasters by actively integrating green measures aimed at long-term sustainability into public development, infrastructure reconstruction, and rebuilding the cities towards a more disaster and climate resilient future.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

25. The Project Development Objective (PDO) is to support green and resilient disaster reconstruction in municipalities affected by earthquake, floods or wildfires, to strengthen municipal capacity for disaster resilience, and to respond promptly and effectively in the event of an Eligible Crisis or Emergency.

PDO Level Indicators

26. The following are proposed as PDO-level indicators, with definitions provided in the results framework:

(a) People benefitting from municipal infrastructure with restored operational capacity and improved resilience (number, gender disaggregated).
(b) People benefitting from improved disaster and emergency response capacity (number, gender disaggregated).
(c) Percentage of trained municipal staff who expressed that they are able to integrate green, resilient and inclusive development into institutional action plans and future investment portfolio after receiving capacity building activities (percentage, gender disaggregated).

B. Project Components

27. The Project would support the ILBANK to support municipalities to undertake urgent repairs, structural strengthening, and if needed demolition/reconstruction, rehabilitation or new construction of damaged municipal owned infrastructure[28] and to put in place measures aimed at increasing disaster preparedness and climate adaptation. The Project will also support rapid response to future disasters through a funded Contingent Emergency Response Component (CERC). All investments will integrate, where feasible, improvements in EE and opportunities to harness renewable energy, and other design elements aimed at increasing climate change mitigation and adaptation (e.g., increased capacity in storm water pipes, and reducing urban heat island effects). ILBANK will be the Financial

[27] Report prepared by the World Bank for the April 9, 2021 Development Committee Meeting

[28] Only infrastructure owned by the municipalities will be considered for Project financing.

Intermediary (FI) for the Project and affected cities will be sub-borrowers, and per standard practice ILBANK will ensure the financial viability of the sub-borrowers.

28. **The Project includes four components**: (a) Green and Resilient Rehabilitation, Reconstruction and Construction of Municipal Infrastructure and Actions to Strengthen Municipal Resilience; (b) Technical Assistance to Support Green, Resilient and Inclusive Cities; (c) Project Management and Operations; and (d) Contingent Emergency Response Component (CERC).

Component 1. Green and Resilient Rehabilitation, Reconstruction and Construction of Municipal Infrastructure and Actions to Strengthen Municipal Resilience (EUR 412 million)

29. This component will finance demand-driven municipal investments to support green and resilient restoration and reconstruction of damaged municipal infrastructure and actions aimed at increasing municipal response capacity and resilience for wildfires, floods, earthquakes and other disasters. Based on damage sustained and requests received, the investments under this component will include restoration of water and wastewater services, and restored and resilient transport investments. Activities related to expansion of stormwater systems and increased municipal capacity to respond to flood, wildfire and other disasters will build municipal resilience. The component will finance supervision consultancies and civil works. The types of activities are further elaborated below.

(a) **Reduced urban flooding through investment in resilient and climate-change sensitive stormwater systems**. Recent urban floods in Türkiye highlight the challenges of i) short duration, high intensity rainfall events that are increasingly observed due to climate change and can easily overwhelm city stormwater systems; ii) increased impermeable surfaces within cities that significantly increase rainfall run-off; iii) urban development over ephemeral water systems; and iv) climate change which is increasing periods of aridity punctuated by more intense rainfall events that are beyond the historical design specifications of stormwater systems. These challenges in combination contributed significantly to the flood events over the 2021 summer in Türkiye. Activities that may be financed include expansion of stormwater systems (including separation from wastewater systems), restoration and rehabilitation of damaged stormwater systems and pumping stations, and studies to inform new design and urban standards to reduce rainfall run off and increase capacity in stormwater systems.

(b) **Increase emergency response capacity within municipalities for flood, wildfire and other disasters**. Municipal firefighting services are critical for managing all types of emergencies, and to reduce the extent and impact of fire and floods through rapid and professional response. In many cases, due to rapid urban growth and climate change impacts, firefighting services currently do not have access to the modern equipment commensurate with their changed and expanded response areas and functions, including appropriate equipment for swift water rescue, flood response and to fight fires at the wildland-urban interface. This subcomponent will finance the carrying out of civil works and acquisition of vehicles and equipment required to increase response capacity of municipal firefighting services for wildfires, floods, storms and earthquakes, and as such, to ensure that the municipalities are better adapted and prepared to respond climate change-imposed challenges and the expected growing impact of extreme weather and natural hazards.

(c) **Restored and improved resilience of water and wastewater services.** The wildfires and floods resulted in damage to critical water services, such as drinking water and wastewater treatment plants and network lines and highlighted the vulnerability of these services to disasters and climate change. As part of restoration efforts, water and wastewater systems will be assessed for disaster and climate risks and planned repairs, reconstruction, upgrading activities, and new construction of water system will integrate improvements to boost sustainability

and resilience, ensure adaptation of the water and wastewater infrastructure to the climate change and promote complementary nature-based solutions. New water networks will be used to provide healthy drinking water in case of disaster as well as to support firefighting services and will improve the access to resilient and safe water services. New water networks will also contribute to improve the disaster and emergency response capacity of municipalities.

(d) **Resilient transport and evacuation routes.** Activities will include the construction of, and reconstruction of damaged, bridges, underpasses and connection roads to restore and facilitate access during heavy rains and floods as well as ensure resistant structures during/after earthquakes. The technical and hydrological studies, and the designs for repair and strengthening or reconstruction of the bridges will consider more intense water flows, including floods associated with 500-year return periods, to ensure reconstructed bridges and roads are adapted to future climates. New and reconstructed bridges and roads will include dedicated space/laneways for cyclists and pedestrians to travel safely and can act as evacuation routes in the event of disaster.

(e) **Municipality Capacity Building Activities.** Under the Project, Project Implementation Units (PIUs) will be established for each of the municipalities benefiting under the Project. This subcomponent will finance relevant project management and implementation support activities including hiring of individual consultants with expertise in engineering, architecture, climate change, disaster risk management (DRM), urban planning, environment, social, communication and outreach, monitoring and evaluation, Occupational Health and Safety (OHS), and other necessary technical areas, as needed. Other costs associated with sub-project supervision, monitoring and evaluation, communication and outreach, training of PIU staff, etc., will also be covered. The subcomponent would also finance requirements related to the Bank's fiduciary policies and guidelines, as well as the implementation of environmental and social framework. Any costs incurred by ILBANK in the discharge of its Implementing Agency role on behalf of smaller municipalities will also be financed from this component.

30. The eligibility and prioritization approach for subprojects is briefly summarized in Annex 5 and will be elaborated further in the Project Operational Manual (POM).

Component 2. Technical Assistance to Support Green, Resilient and Inclusive Cities (EUR 5 million)

31. This Component will support ILBANK and municipalities to build a green, resilient and inclusive future by ensuring that there is sufficient institutional and technical capacity to design, supervise and implement investment projects that integrate disaster and climate risks, to explore options to reduce carbon emissions, to improve air quality and to support residents during disaster response, recovery and reconstruction. The outcome of this activity will be: i) guidelines and policy recommendations that improve the development of municipal strategic and spatial plans that integrate disaster and climate risks to natural hazards and climate risks, ii) publicity and visibility activities in order to increase awareness with respect to disaster and climate risks, iii) the identification of investment priorities that are integrated into strategic city plans and iv) increased capacity within Project municipalities to understand and manage disaster and climate risks. The following activities collectively contribute to the achievement of this outcome and will be financed under this component:

a) **Assessment of disaster and climate threats in the Project municipalities and development of guidelines and policy recommendations for supporting the integration into city strategic and spatial plans.** The recent disasters affecting the Project municipalities have highlighted the need to better assess disaster and climate threats, under current and future climate scenarios.

b) **Preparation of resilience strategies, investment planning and public awareness.** This will include consultancy services for the preparation of resilience strategies for the most prominent risks and investment planning to advance the climate resilience in municipalities, including options for reduced emissions. Support to increased public awareness of disaster and climate risks will also be included.

c) **Increased capacity of engineering, architecture and other relevant municipal professionals.** The Project will have significant engagement with public sector professionals around structural strengthening, reconstruction, and repairs to infrastructure. Identifying capacity development needs and providing training on an on-demand basis to increase capacity overall of beneficiary municipalities. Moreover, this training will be prioritized towards female professionals in these traditionally male-dominated sectors.

Component 3: Project management and operations (EUR 2 million)

32. Under the Project, there will be a Project Management Unit (PMU) established within ILBANK. The component will finance goods, consulting services related to day-to-day project management, monitoring and evaluation, reporting, and project communications. This component will support hiring of individual consultants with expertise in engineering, climate change, DRM, urban planning, transportation, environment, social, financial management, procurement, communication and outreach, monitoring and evaluation, OHS, and other necessary technical areas. It will also finance requirements related to the Bank's fiduciary policies and guidelines, as well as the implementation of environmental and social framework.

Component 4: Contingent Emergency Response Component (EUR 0 million)

33. This component would support emergency recovery and reconstruction efforts under an agreed action plan of activities designed as a mechanism to implement the government's response to an emergency. This Component would include rapid procurement and disbursement procedures to cover emergency response costs (such as contracting emergency works, procurement of goods and services) following an adverse natural event, health crisis or technological disaster. The contingent emergency component would be triggered by an official declaration of an emergency or disaster, in accordance with Türkiye's laws and policies. The procedure for declaring the emergency, types of adverse events covered, and the types of eligible investments will be described in a standalone Contingent Emergency Response Component (CERC) Manual and included in the Environmental and Social Management Framework (ESMF). This component would also allow rapid reallocation of uncommitted IBRD financing from other Components (if needed).

C. Project Beneficiaries

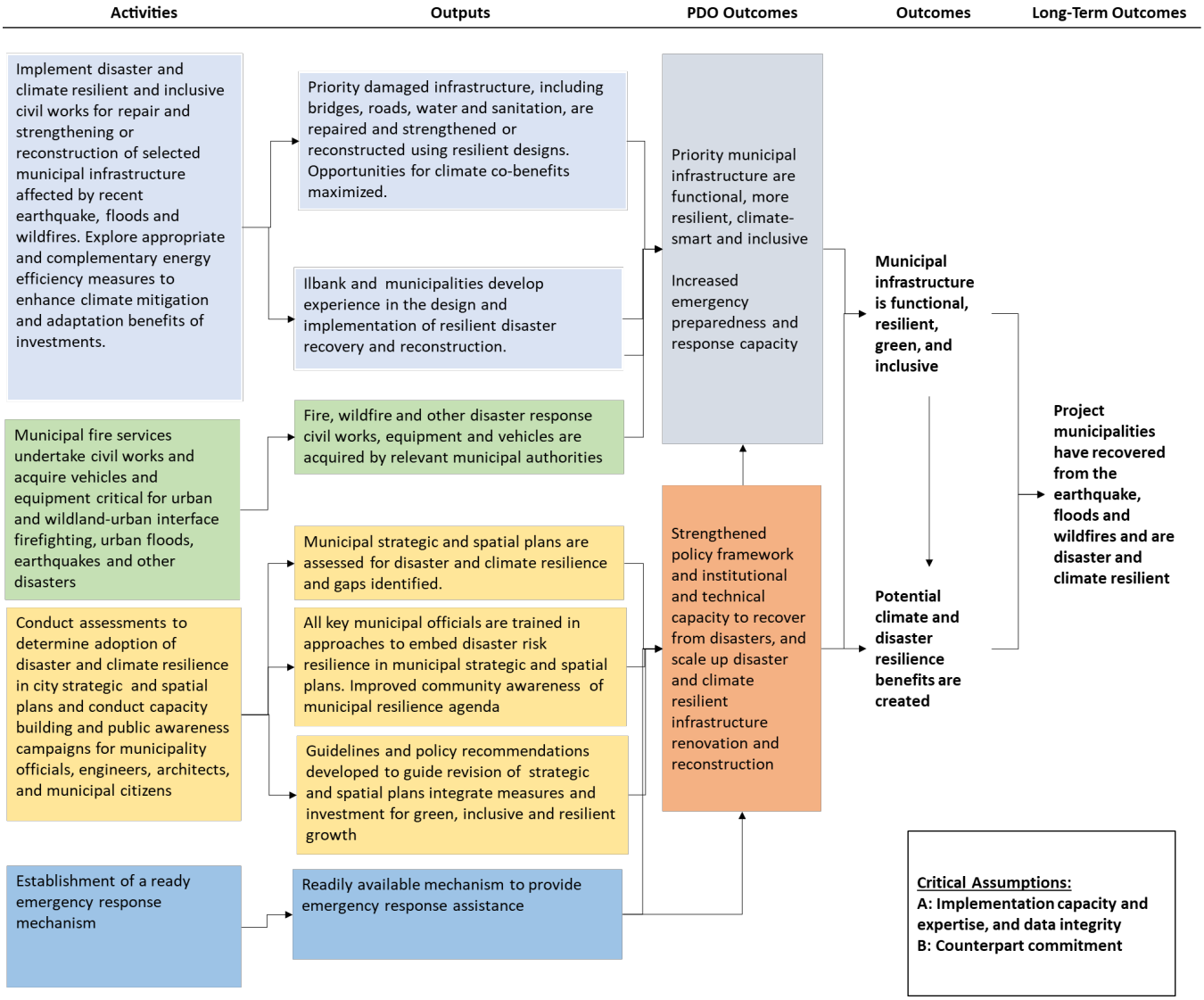
34. The immediate and direct beneficiaries in the Project will be the more than eight million residents of the Project municipalities with restored and resilient municipal infrastructure, including water and wastewater services and transport. More than nine hundred thousand citizens will also directly benefit from a reduction in urban and flash flood risk, which protects lives, assets and livelihoods. Fifteen municipalities and their citizens will benefit from improved fire, flood and emergency response services. City residents and taxpayers will also benefit from more efficient use of energy, and access to disaster resilient infrastructure that support continuity of the public services. The funded CERC will enable ILBANK to provide immediate support to disaster affected municipalities to restore and reconstruct damaged municipal infrastructure, without diverting funds from municipalities already affected by disasters and who are benefitting from activities committed under the Project. The provision of rapid and efficient post disaster reconstruction has been shown to significantly reduce indirect disaster losses.

D. Results Chain

35. **This Project simultaneously addresses objectives of green and resilient construction, restoring and strengthening or reconstructing disaster affected infrastructure, improving disaster and climate resilience at subnational levels, and strengthening the institutional and technical capacity to scale-up disaster and climate resilient development.** These objectives contribute toward the long-term outcome of restoring infrastructure, livelihoods, and the economy in municipalities affected by recent disaster events and by creating a disaster and climate resilient and inclusive municipalities for all, thus reducing potential financial losses, and protecting lives, livelihoods and the environment from future disasters and climate change. The Project will restore the functionality and increase the climate and disaster resilience, accessibility and energy efficiency of damaged water and wastewater systems, damaged bridges and roads. Through solutions that reduce rainfall run-off and increase capacity of stormwater systems, the Project will improve the resilience of participating municipalities to floods and improve the environment and the health of the population and surrounding ecosystems served by those systems. The restoration of drinking water lines will extend this service to residents whose access to potable water is currently disrupted or vulnerable to disasters.

36. **Through capacity building and institutional strengthening, the Project will support ILBANK and the residents of 21 municipalities to build a green, resilient, and inclusive future**. Specifically, the Project will (a) establish the dedicated PIUs for component 1 to repair, reconstruct damaged municipal infrastructure or to undertake new construction, (b) assess municipalities for disaster and climate resilience, (c) conduct scientific studies on disaster and climate resilience, (d) develop a citywide action plan for disaster and climate resilient investments, and (e) conduct capacity building for municipal officials and public awareness for citizens.

Figure 1. Theory of Change



E. Rationale for Bank Involvement and Role of Partners

37. **The Bank has been a leading partner in the thematic areas of DRM and urban development in Türkiye for many years.** Examples include the ISMEP Project (P078359), the FRIT-financed safe schools Project (P162004), the Disaster Risk Management in Schools Project (P157683), Sustainable Cities Projects (P128605, P161915 and P170612), Seismic Resilience and Energy Efficiency (P175894) and the pipeline Urban Resilience (P173025) projects. Within Türkiye, the World Bank is also perceived by the government and other donors and development partners as a leader in the establishment of the systems and platforms for DRM and sustainable urban development that can be leveraged and

scaled up. This Project also provides a comprehensive demonstration of the value of integrating resilience and climate mitigation and adaptation into the reconstruction and recovery of disaster affected urban areas.

38. **The World Bank also has considerable experience in supporting post-disaster reconstruction projects** in Türkiye (Erzincan Earthquake Rehabilitation and Reconstruction (P009099), Türkiye Emergency Flood and Earthquake Reconstruction (P058877), Marmara Earthquake Emergency Reconstruction Project (P068368) and across the world (Indonesia, Philippines, Croatia, Serbia, Pakistan, India and so forth). Through time and with experience, the Bank has focused on building back better, with more resilient infrastructure and with human settlements that provide a better quality of life. The Project will also help strengthen the institutional capacity of the client municipalities in both mitigating risks of potential future disasters, undertaking practical measures to reduce carbon emissions through EE, and identifying and responding to the needs of communities affected by the recent catastrophes.

39. **The World Bank is recognized as a thought leader and implementer on climate action**. The World Bank has been a leading partner on climate change, in terms of technical and advisory support, lending, policy dialogue and carbon markets. Türkiye ratified the Paris Agreement with a declaration on October 7, 2021. COP26 decisions, adopted in November 2021, have had significant outcomes. First, under the Paris Agreement countries recommitted to a target of not exceeding 1.5 degrees by 2030, which will require a significant increase in ambition given that the world is not on track currently (1.8 or 2.4 degrees). NDCs will be revised in 2022 and more frequently and will need to significantly enhance ambition. Second, developed countries committed to reach the $100 billion amount for developing countries by 2023 and agreed to a process to develop a new larger climate finance goal expected in 2024[29]. Mobilizing finance from the private sector and catalytic finance from MDBs will be important. Third, the Paris Rule Book was adopted including article 6 on global carbon markets and article 12 on monitoring and transparency. Fourth, for the first time, a COP (Conference of Parties) decision includes language on phasing down unabated coal power and phasing out inefficient fossil fuel subsidies as well as just transition. Finally, in parallel there were a series of bi-lateral and multilateral pledges, including on reducing methane gas, protecting forests, investment in climate technology and investment in loss and damage/adaptation and phasing out coal. With this new backdrop, the World Bank is a critical partner in supporting client countries on addressing the climate crisis and operationalizing this agenda, including through this project activity.

40. **This Project also represents an opportunity for learning that can be shared with World Bank clients and partners**, in three critical areas. The first area relates to the opportunity for reconstruction to create the foundations for a greener, resilient, and more sustainable future, and second to ensure that sustainability and long-term climate adaptation are at the heart of reconstruction. Third, this Project will focus on municipal-led post-disaster reconstruction wherein the implementing agencies are predominantly located at the center of the disaster areas.

41. **Maximizing Financing for Development Approach.** The World Bank and International Finance Corporation (IFC) coordinate closely on World Bank Group support to sustainable and resilient cities in Türkiye. IFC have typically financed key partner cities with the capacity to borrow without treasury guarantee, specifically Antalya and Izmir. Izmir is a key IFC client with a range of investments supported by IFC over the last decade, from the port expansion to rail cars. The World Bank Group also supported Izmir by organizing a joint session at the Barcelona Smart City Summit in 2019, which led to further support from IFC on developing Izmir Open Data Portal. IFC has also recently finalized an investment project with IZSU utility to strengthen resilience of water and wastewater infrastructure by financing a new water treatment plant, rehabilitation of water supply networks, and urgent priority investments in stormwater and sewerage networks.

[29] *https://ukcop26.org/wp-content/uploads/2021/10/Climate-Finance-Delivery-Plan-1.pdf*

In Antalya, both World Bank and IFC have complementary investments in municipal water services and are aligned in terms of which investments are suitable for IFC versus World Bank financing. In this operation, although IFC is not able to support the broader disaster recovery needs, they are nonetheless cooperating closely on a coordinated approach to partnering with these cities.

F. Lessons Learned and Reflected in the Project Design

42. **The Project design reflects lessons from previous and ongoing operations in Türkiye and globally (including Implementation Completion and Results Reports and Independent Evaluation Group evaluations), analytical work, and international good practice.** With respect to DRM and increasing the structural safety of public buildings for disaster and resilience, lessons have been drawn from Romania (Series of Projects on Public Buildings 2018, 2019 and 2021); Türkiye reconstruction and ex-ante prevention projects (Istanbul Seismic Risk Mitigation and Emergency Preparedness Project, ISMEP 2004 and subsequent AF in 2011); Education Infrastructure for Resilience 2017, DRM in Schools 2019), Indonesia (Central Sulawesi Reconstruction, Project P169403); Croatia (Earthquake and Health Emergency Project, 2020); and the Christchurch, New Zealand reconstruction. In addition, the World Bank's long-term experience, through ILBANK, to support municipalities to improve municipal services in Türkiye has also provided basis for the Project design. These lessons and how they have been reflected in the Project design are summarized below:

(a) **Integrated technical solutions have high efficacy.** This Project follows a "one intervention, many benefits" approach which recognizes that patch-work interventions create multiple disruptions and overlook cost efficiencies gained by optimized interventions (such as scaffolding for EE improvements also being used for structural safety measures). This Project will deliver integrated investments that improve multi-hazard resilience and climate change sustainability—an approach that provides infrastructure users with immediate benefits (without an earthquake or a disaster) as well as long-term benefits of improved functionality and sustainability. Moreover, wherever feasible, the Project will also support accessibility improvements for people with disabilities and for the elderly. Similarly, complementary nature-based solutions have high potential for maximizing the impact of investments, by reducing flood, extreme heat impacts, and water scarcity while at the same time increasing air quality and amenity.

(b) **Strong implementing agencies are critical for early success and long-term sustainability.** Experience from infrastructure and technical assistance (TA) projects, shows the need to invest in capacity-building to ensure sustainability of the Project's investments, and uptake/positive spill-over effects of Project approaches. The PIUs located in municipalities will be staffed predominantly by municipal staff, so the experience gained in the Project is more likely to be retained long after the Project has closed.

(c) **Inclusive reconstruction for equitable results.** The effectiveness and importance of inclusive planning and execution should not be underestimated. Proactively encouraging the participation of women, elderly, people with disabilities, through effective stakeholder engagement will be critical to promote and produce equitable results and inclusive decision making.

(d) **Widespread and sustained communication on the long-term benefits of the Project against a background of temporary disruption.** Early involvement of subproject beneficiaries in the planning and execution of the retrofitting/reconstruction of public infrastructure is critical to successful subproject implementation. Some municipal infrastructure users may face noise and other temporary disruptions during civil works and therefore

it is important that they fully understand the rationale for and short- and long-term benefits of the temporary disruption.

(e) **The details of the CERC, as an ex-ante DRM mechanism, should be defined in advance to the extent possible.** Rapid activation can be achieved by preparing the CERC as fully as possible during early stages of implementation, and by maintaining readiness for activation and implementation. The CERC aims to help bridge a financing gap while other funding for longer-term reconstruction is made available. The World Bank team support ILBANK to develop the Standalone CERC Manual, which will articulate: (i) the mechanism for activating the CERC; (ii) development of the main instruments under the CERC; (iii) coordination and implementation arrangements; (iv) procurement, financial management (FM), and disbursement aspects; (v) compliance with ESF policies; and (vi) monitoring and evaluation.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

43. The implementation arrangements for this Project will largely follow the model well established through the ongoing **Sustainable Cities Series of Projects** (SCP). ILBANK will be the Financial Intermediary for the Project and through the Project Management Unit (PMU), already established within the International Relations Department, will be responsible for coordinating and supervising Project implementation and for providing support to the sub-borrowers – selected municipalities and utilities. Project Implementation Units (PIUs) in participated municipalities/utilities will be established for the purpose of implementing this Project.

44. **ILBANK, a development and investment bank that on lends international financial institution (IFI) loans for municipal investments, was selected as the implementing FI for the ongoing SCP Projects** - SCP1, SCP2 and SCP 2 AF based on its demonstrated capacity to design and implement municipal service projects. ILBANK provides direct credit to municipalities and utilities from financial intermediation loans funded by IFIs. Additional criteria for selecting ILBANK include the bank's financial soundness, quality of credit portfolio, and its strong performance as the borrower in the ongoing SCPs (P128605, P161915 and P170612) and in the completed Bank Municipal Services Project (P081880) which was rated as Moderately Satisfactory by the Bank's Independent Evaluation Group. As part of its implementation support to SCP, the World Bank task team is monitoring credit risk management policies covering asset quality, provisioning and impairment/follow up areas as well as operating profitability. Annex 2 provides background information on ILBANK and a summary evaluation of ILBANK against the Bank's standard criteria for financial intermediary financing (FIF) listed in OP 10.00 (Investment Project Financing).

45. **Institutional and implementation arrangements for the Project build on the existing arrangements established for the SCPs.** The ILBANK PMU has a strong track record and experience with the Bank safeguards, procurement, and FM policies—all of which support efficient implementation and ILBANK is constantly seeking ways to expand and enhance their capacity in line with their growing portfolio. Responding to this disaster recovery and reconstruction in the identified municipalities through the existing arrangements with ILBANK provides efficiencies in using established processes and mechanisms.

46. **ILBANK Project Management.** A PMU was established under the International Relations Department of ILBANK for the implementation of IFI financed projects. The PMU is organized according to functions and specializations. The

PMU staff is grouped into four functional units: Technical Management Unit, Contract Management Unit, Financial Management Unit and Business Development Unit. ILBANK management appointed staff in the International Relations Department to expand staff capacity. These functional units are led by unit managers and have sufficient technical and staff capacity in procurement, FM, and technical sectors particularly for water, wastewater, solid waste management and transport. ILBANK has continuously increased and built its staff capacity both in terms of operations and in relation to climate change, disaster risk management, and resilient infrastructure. ILBANK has also just recently employed an additional 21 staff in its International Relations Department. When needed, ILBANK will hire consultants to obtain technical support in areas or sectors ILBANK has less capacity and experience.

47. **The International Relations Department is supported by several specialized departments within ILBANK**. These include a Project Department responsible for control and approval of technical studies under the project, an Investment Appraisal Department responsible for evaluating the financial capacity of municipalities, an Infrastructure Implementation Department that can also provide support to review technical specifications as needed, and several other administrative departments such as Investment Coordination, Accounting and Financial Affairs, Information and Technology (IT), and Banking Services. ILBANK has a unit for Climate Change and Renewable Energy under Project Department. The institution also has 18 regional directorates that can monitor subproject implementation.

48. **Many of the potential municipalities to be supported under this Project have established Project Implementation Units (PIUs) within their respective structures.** Such PIUs are typically led by Project Directors who are supported by technical experts in construction, engineering, architecture, etc., and experts covering financial management, procurement, environment, and social responsibilities. A number of the potential municipalities and municipal companies have high capacity, experience with IFC and EBRD lending projects but not all have recent experience with World Bank projects. Therefore, ILBANK's role will be important during implementation of this Project to ensure timeliness of reconstruction sub-projects. Municipalities with lower capacities will be more reliant on ILBANK's assistance for all aspects of implementation. Most PIU staff would be drawn from existing municipal staff and where necessary, additional experts would be hired as independent consultants.

49. **Legal relationships, fund flow, and the control of funds.** Legal arrangements will include the following: (a) a Loan Agreement between the Bank and ILBANK, (b) a Guarantee Agreement between the Republic of Türkiye (represented by the Ministry of Treasury and Finance) and the Bank, (c) a Guarantee Protocol between the Ministry of Treasury and Finance and ILBANK, (d) a sub-loan agreement between ILBANK and the sub-borrowers (municipalities and utilities).

50. **Fund flow under the project will be overseen by the International Relations Department of ILBANK**. Within the scope of the project, the International Relations Department is also responsible for ensuring compliance with the Bank's regulations on procurement for goods, works, and services. The Project Operations Manual will guide ILBANK on the use of loan funds and reporting arrangements.

51. **Escrow account.** To secure debt service, ILBANK follows the same procedures stated in the Law on Regulating Public Finance and Debt Management (Law No. 4749). ILBANK requires municipalities and utilities to deposit the interest and principal repayments into an escrow account. ILBANK will monitor the funds in the escrow account to service the Bank loan. According to the law, ILBANK is also authorized to use the tax intercept as collateral for a sub-loan.

52. **Environment and Social Standard compliance.** As an affiliate to the Turkish MoEUCC, ILBANK is subject to Turkish national laws and regulations and holds TS-EN-ISO: 9001-2015 quality certification. The credit evaluation process of ILBANK includes technical, economic, and financial assessment of subject loans. As all financing is contingent upon the Bank's review of environment and social standard documents consistent with the provisions of the Environmental and

Social Management Framework (ESMF) and Resettlement Framework (RF), ILBANK will submit viable subprojects for the Bank's prior review. The Bank will prior review and approve all substantial subprojects and then provide no-objection to environmental and social assessment documents. High-risk subprojects will not be eligible. During implementation of the project, the World Bank can mutually agree with ILBANK that it will do prior review for the first five low and moderate risk subprojects and, after that, ILBANK conducts the review of environmental and social assessment documents for such risk subprojects and the Bank conducts their post review. ILBANK has gained increasing experience in following World Bank environment and social standard requirements and is working on establishing a full Environmental and Social Management System.

53. **ILBANK's International Relations Department has experienced staff in technical, procurement, environmental, social, and FM-related procedures of the Bank**. ILBANK staff received several trainings related to the Environmental and Social Framework (ESF) and has experience with the Bank's previous safeguard operational procedures and the ESF. ILBANK's environment and social team consists of two technical experts—one acting as the environmental focal point and the other as the social development/land acquisition focal point. The ILBANK team gained significant experience during the implementation of previous MSP, MSP-AF, SCP1, SCP2, SCP2-AF, and FRIT Municipal Services Improvement Projects (MSIP) financed by the Bank.

54. **Project implementation.** ILBANK will provide project implementation support through guidance and capacity building activities to all PIUs for subproject design and supervision of the sub-loan agreements. The PIUs will conduct the selection of consultants for their respective subprojects, including for preparing ESF instruments and conducting supervision activities. These sub-borrowers will be responsible for the procurement of civil works and goods and these contracts will be signed by the sub-borrower and the firm or contractor. In accordance with the sub-loan agreement, the sub-borrowers will also carry out the following:

(a) Conduct proposed feasibility studies and project design for financed subprojects, including their Environmental and Social Assessment and prepare all necessary ESF instruments (ESIA and ESMP; Resettlement Action Plans, LMPs);

(b) Manage and implement the subproject in a sound technical and financial manner, including management of the procurement process, certification of payments from consultants and contractors, and construction supervision with the assistance of construction supervision consultants where required;

(c) Implement the ESF in a satisfactory manner, including environmental activities during project preparation and implementation involving appropriate level of public consultation and information disclosure;

(d) Provide necessary technical and financial information, including collection and monitoring of results data, to ILBANK on time; and

(e) 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 share transfers to make the repayment of the sub-borrower if the escrow account balance is insufficient.

55. **ILBANK follows a pricing policy that is in line with its role in supporting the financing of public goods by municipalities.** The basic tenet of the product policy is in line with the mandate to offer investment loans with longer maturities and lower interest rates than the comparable domestic market. ILBANK does not account or factor the cost of own capital into the lending rates. ILBANK has two lines of business providing loans to the municipalities and utilities. First, with local currency (TL), ILBANK typically lends on 5-year to 10-year terms for various projects and facilities related

municipal services that have been included in the national investment program. The longest maturity has gradually extended to 15 years, but the average maturity is still low. Equity-based lending makes the preferential interest rate possible because the cost of own capital is not factored in pricing the lending products. ILBANK offers Turkish lira loans from its equity by using the interest rate to the Central Bank base rate as reference. Second, ILBANK also provides various types of FX loans to the municipalities and utilities with longer maturity such as 25-30 years including 5-7 years of grace periods with lower interest rates and with better conditions than the municipalities and utilities may provide by themselves.

56. **The on-lending rates for IFI foreign currency loans (mainly euros) reflect the cost of funds with a small markup and with passing the foreign exchange risk to the sub-borrower**. The use of external funds (IFI on lending)[30] has reached 14.2 percent of the loan portfolio as of end-2020. ILBANK does not grant proforma subsidized loans, because its lending rates include margins sufficient to cover the cost of operation, loan losses, and even generate intentionally moderate profit. However, a more sophisticated risk-based pricing of the products would be justified in future because ILBANK's portfolio is expanding with a longer maturity creating higher risk exposure. Law No. 5779 allows ILBANK to extend short-term specialized loans given to municipalities in relation to their investment programs; nonetheless, ILBANK ceased to extend short-term credits in 2007 as a matter of principle, save for exceptional situations. In cases where letters of guarantee are issued for loans that municipalities obtain from financial institutions, which are in default, ILBANK, in its capacity as guarantor, is responsible for making the payments whenever the beneficiary of the letter so demands.

B. Results Monitoring and Evaluation Arrangements

57. Project progress will be monitored based on completed procurements, disbursements by the Project, physical progress of works and Project indicators.

58. **Project indicators and subproject tracking**: The PDO level and intermediate indicators, including annual targets, are presented in Section 7. The municipal and municipal entity PIUs will provide relevant data for each subproject required to track the PDO level and intermediate indicators. The PIUs will be required to submit biannual progress reports to their management, ILBANK and the Bank for review.

59. **Mid-term review**: A Mid-term Review (MTR) will be carried out by the Bank to assess the overall Project progress, identify critical implementation issues, and make any necessary revisions to the Project design or schedule. The MTR is expected to be carried out at the end of Year 2.

C. Sustainability

60. **Institutional sustainability.** This Project will support ILBANK, the Project municipalities and affiliated utilities in establishing the institutional and technical capacity necessary to integrate disaster and climate resilience into municipal investments. Technical and financial support for ILBANK can play a critical role in increasing the green investment initiatives of municipalities across sectors and sustainable infrastructure investments would serve all three dimensions of sustainability: social, economic, and environmental.[31] By assessing municipal infrastructure for structural strength and

[30] IFI lenders include -in order of funding size-; The World Bank, Japan International Cooperation Agency (JICA), European Investment Bank (EIB), Islamic Development Bank (IDB) and French Development Agency (AFD).

[31] Unlocking Green Finance in Turkey - Green Growth Analytical and Advisory Program Thematic paper 1. Washington, D.C. : World Bank Group.

energy efficiency alongside threats from disasters and climate change, the municipalities will be able to establish a prioritized approach to building city disaster and climate resilience. Moreover, the first-hand technical experience with the planning and implementation of structural strengthening or demolition/reconstruction investments, development of nature-based and traditional solutions for flood protection and the green and inclusive recovery and reconstruction of cities hard hit by disasters will also be very relevant to other cities in Türkiye and globally. The Project is also aligned with existing and planned Government strategies on disaster resilience and climate change mitigation and adaptation.

61. **Technical sustainability.** The engineering and technical designs will follow Turkish legislation for strengthening and upgrading existing infrastructure and for new construction. For disaster risk, Turkish building code was updated in 2019 and is considered robust by international standards. Following the completion of the works financed under the Project, the operations and maintenance costs are expected to remain minimal in the short term. Increased EE will also support climate change adaptation and sustainability, with the useful life of the municipal infrastructure extended for another 30–50 years. By integrating climate change into infrastructure design, designs that factor in increased rainfall, changes in flood, heat and drought intensity and frequency, investments financed under this Project will be more technically sustainable over the long term.

62. **Financial sustainability.** These disasters have highlighted that many costs associated with disasters will be borne by municipal authorities, from damaged municipal infrastructure. Municipal infrastructure will be strengthened/reconstructed or newly constructed to higher engineering standards, as compared to the original construction, and therefore are expected to sustain limited or no damage in future disaster events. Moreover, the Project will support EE improvements in municipal infrastructure to be retrofitted, reconstructed or newly constructed, which are expected to reduce the overall operations and maintenance burden in the medium to long term through lower electricity bills. Finally, by supporting municipalities to move towards more sustainable and resilient development and with increased response capacity, the relative financial costs associated with disasters will decrease with time.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

63. **An aggregate economic rate of return (ERR) will not be calculated for the Project as a whole. Economic and financial eligibility criteria developed during the preparation of SCP1 and SCP2 and SCP2 AF will be applied to this Project.** This will be refined (as needed) and will be applied to each major investment during preparation of the feasibility studies and including the development of cost-benefit analysis (CBA). Methodologies for the evaluation of investments are detailed in the 'guidelines for the financial feasibility preparation' which is included as an annex to the Project Operations Manual. These guidelines outline 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 Strategy and Budget Office request discount rates of between 8 and 10 percent and this will be included in all feasibility studies. The social discount rate (opportunity cost of capital) of 6 percent can also be calculated, as recommended by the Bank based on a recent analysis. 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.

64. **Depending on the final investments, the Project will provide improved access to resilient and sustainable municipal services, energy cost savings to municipalities or utilities from energy efficiency, percentage reduction in technical and managerial water losses, and reduced environmental degradation.** The Project would also support investments with global public goods co-benefits, for instance through carbon emission reductions. Based on global analysis, benefit-cost ratios for the types of investments that are proposed range from 4 to 46. This is in line with financial and economic analyses of water and waste-water investments in Türkiye under Sustainable Cities Projects. For SCP1, an analysis for the water and wastewater investments in Muğla and Denizli had discount rates of 10 percent. Under SCP2, in Antalya, for the proposed investments, the financial NPV is positive, with a discount rate of 10 percent and an internal rate of return (IRR) of 39.67 percent. In Muğla, for the proposed investment, the NPV is positive with a discount rate of 10 percent and the IRR is 24.4 percent.

65. By promoting investments in disaster and climate resilience, the development benefits in municipalities are secured, which is particularly important in Türkiye where extreme seismic risk exists alongside growing flash, pluvial and riverine flood risk, extreme heat, and wildfires. **A CBA analysis related to investment in enhanced fire and flood response capacity was undertaken, with benefit-cost ratios ranging from 1.3 to 11.8 percent and economic rates of return exceeding 6 percent over the 15-year planning horizon.** These results show that the fire and flood response investments project are economically viable and will benefit society by protecting lives, livelihoods, public infrastructure, and business activity, and reducing economic losses associated with disasters.

B. Fiduciary

(i) Financial Management

66. **The PMU established under the International Relations Department of ILBANK will be responsible for the financial management arrangements for the Project**. The PMU has satisfactory arrangements for several World Bank-financed projects and the same arrangements will be adopted for Türkiye Earthquake, Flood and Wildfires Emergency Reconstruction Project. The financial management arrangements will be considered acceptable upon completion of the adaptation of the current systems for this project.

67. **ILBANK will on-lend proceeds of the IBRD loan to participating municipalities and their affiliated municipal companies. The municipalities and utilities will provide technical support with their respective PIUs in overseeing implementation of the investments**. Payments to the suppliers and beneficiaries will be registered directly by ILBANK upon submission of acceptable supporting documents by the PIUs. The PMU in ILBANK will be responsible for the management of the designated accounts and project accounting and quarterly financial reporting. The Project accounts will be subject to independent audit on an annual basis in line with the Terms of Reference acceptable to the World Bank. The Treasury Controllers of the Ministry of Treasury and Finance will be the independent auditors of the Project. The project audit report will be made publicly available according to the World Bank's Access to Information Policy.

(ii) Procurement

68. ILBANK as the financial intermediary, the beneficiary municipalities and utilities are public entities. The World Bank Procurement Regulations for IPF Borrowers – November 2020 ("Procurement Regulations") will apply to the proposed Project. The World Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and revised in January 2011 and as of July 1, 2016 (Anti-Corruption Guidelines)" will also apply to the proposed Project.

69. A simplified Project Procurement Strategy for Development (PPSD) was prepared by ILBANK pursuant to paragraphs 4.1 and 4.2 and 4.3 of the Procurement Regulations and determined the optimum procurement approach to deliver the right procurement result under the proposed Project. The PPSD was discussed between ILBANK and the World Bank. Procurement Arrangement of the Project is proposed as follows:

- ILBANK will hire consultancy firms for **design review and preparation of bidding documents** using internal (non-IBRD loan) resources.
- Municipalities and Utilities will hire consultants for the **preparation of E&S documents** using internal (non-IBRD loan) resources.
- Procurement of goods, works, consultancy services and non-consultancy services will be conducted by all Municipalities/Utilities by themselves.

70. ILBANK will ensure that participating municipalities/utilities will comply with the provisions of the Procurement Regulations and the Financing Agreement in the implementation of the procurement activities. The responsibilities of ILBANK and respective municipalities/utilities will be elaborated in the POM Considering the emergency nature of the project, the PPSD proposed to initiate procurements as early as possible for the timely implementation of the contracts.

71. ILBANK and municipalities/utilities will hire consulting companies, as described in Paragraph 70, for i) design reviews and preparation of bidding documents and (ii) preparation of E&S documents using internal (non-IBRD loan) resources and their own capacities. For contracts that are not financed by the Bank, but are included in the scope of a Bank-financed project, ILBANK and municipalities/utilities may adopt other procurement rules and procedures if the Bank is satisfied that:

a. the rules and procedures will fulfill the ILBANK's and municipalities/utilities, obligations to carry out the Project diligently and efficiently; and

b. the Goods, Works, Non-consulting Services or Consulting Services to be procured:

i. are specified to a satisfactory quality, are compatible with the other elements of the project, and are consistent with the project objectives;

ii. will be delivered or completed in a timely manner; and

iii. are priced so as not to have an adverse effect on the economic and financial viability of the project.

72. The Borrower will use the Bank's Systematic Tracking of Exchanges in Procurement (STEP), an online procurement tracking tool to prepare, clear, and update its Procurement Plans and conduct all procurement transactions.

73. Thresholds for World Bank review and procurement methods to be applied are set out in the Procurement Plan of the project. Following the Bank's guidance for procurements in situations of urgent need of assistance, some of the selection of the consultants will be accelerated by adapting fit-for-purpose principle, and accordingly higher thresholds will be applied for the selection of consultants, procurement of works, goods and non-consulting services to deliver the project development objectives within the duration of the project. Streamlined procurement procedures will apply to CERC Component and these will be elaborated in the POM. Procurements 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 for IPF Borrowers. More details on the findings of the procurement assessment,

the proposed procurement supervision arrangements, risks, and relevant mitigation measures to address them are provided in Annex 1.

C. Legal Operational Policies

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

D. Environmental and Social

74. **Environmental risks and impacts**. The environmental risk is rated as **Substantial**. The Project is expected to generate positive impacts by increasing disaster and climate risk resilience at the municipal level and incorporating energy-efficient measures and renewable energy solutions (if feasible) in the retrofit and new construction public infrastructure. However, during the implementation phase, there will be environmental risks from demolition, retrofit, and construction activities, which will be implemented across the 21 municipalities. The potential adverse environmental risks and impacts will include: emissions of dust and vehicle exhausts impacting air quality; noise and vibration causing disturbances; generation of hazardous (including Asbestos-Containing Materials – ACM) and non-hazardous waste; OHS-related risks due to unsafe practices; traffic and road-related risks from increased traffic volume and movement of heavy-duty vehicles; closure of roads and blockades of sidewalks and access to certain public facilities; risks associated with labor influx that may impact community health and safety; and risks of spreading COVID-19 infection.

75. As the Project will likely involve the demolition/reconstruction, repair and construction of, many infrastructure installations, such as treatment plants, bridges, etc., the cumulative waste generated from removing rubble may be considerable. However, cities such as Izmir, Antalya, Düzce, Muğla and Sinop do have functioning Solid Waste Management Plans (SWMP), which may be sufficient for managing the risks and impacts from cumulative waste generated from the Project. Although a list of potential investments is available, the locations for all the subprojects have not been determined across all municipalities. Overall, given the types of proposed subprojects (i.e., repair and construction of municipal infrastructures such as bridges, stormwater and wastewater transmission lines), these sub-projects are not expected to produce significant or irreversible adverse effects on human health and/or the environment.

76. The Project will not have impacts on Cultural Heritage (CH) – all subprojects that include buildings from CH list or that may impact CH sites will be excluded from project financing.

77. Therefore, a **Substantial environmental risk rating** was determined considering that: (i) the subprojects are more of rehabilitation nature and not located in sensitive areas, (i.e., subproject activities are centered in already urban environments); (ii) the environmental risks and impacts from the activities, although generally are expected to be moderate, mostly temporary, reversible, spatially limited; (iii) mitigation measures can be readily designed and implemented; (iv) while the cumulative impacts due to potentially large volume of debris and solid waste might be substantial, along with associated risks and impacts, the cities have in place approved Solid Waste Management Plans and well-functioning landfills. The substantial environmental risk rating is also assigned due to the clients' lack of experience in implementing the Bank's ESF. Although ILBANK has experience with many Bank-financed projects under both Safeguard Policies and the ESF, the main Implementing Agencies being most municipal and utility PIUs, have little or no prior experience with IBRD-financed projects and will likely not be familiar with the requirements of WB ESF and ESSs.

78. **Social risks and impacts.** The project is rated **Substantial** for social risks. The Project has mainly positive impacts as it will support structural strengthening and reconstruction of damaged municipal infrastructure. Multiple activities that need to go in parallel requiring diligent community and stakeholder engagement and the implementing agencies' capacity in managing a first-time Bank project increase the complexity of environmental and social risks of the Project.

79. The Project will support only in-situ reconstruction and retrofitting activities as well as new constructions, however no major resettlement issues or relocation is expected. Component 1 will be mainly supporting project municipalities and three utilities' infrastructure (water network lines, storm, drinking water and wastewater collection networks, bridges and emergency response vehicles and equipment). Project activities may lead to potential economic resettlement and to a limited extent temporary and/or permanent land acquisition impacts as none of the exact designs

and locations of the subprojects supported under the Project are known by Appraisal. In addition, there could be risks associated with labor influx that may impact community health and safety; risks of spreading COVID-19 infection; risks related to Sexual Exploitation and Abuse/Sexual Harassment; involvement of multi-stakeholders and delicate coordination and engagement needs as well as the additional environmental and social management capacity needed by ILBANK, project municipalities and entities contribute to the Substantial risk rating of the Project.

80. **Relevancy of the WB Environmental and Social Standards (ESS)**. The Environmental and Social Standards relevant to the Project are: ESS1-Assessment and Management of Environmental and Social Risks and Impacts; ESS2-Labor and Working Conditions; ESS3-Resource Efficiency and Pollution Prevention and Management; ESS4-Community Health and Safety, ESS5-Land Acquisition, Restrictions on Land Use and Involuntary Resettlement, ESS6- Biodiversity Conservation and Sustainable Management of Living Natural Resources, ESS8-Cultural Heritage, ESS9-Financial Intermediaries, and ESS10-Stakeholder Engagement and Information Disclosure. The ESSs not relevant to the project are: ESS7- Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities. In terms of triggering WB Operational Policies (OP), the OP 7.60 “Projects on Disputed Areas” and the OP 7.50 “Projects on International Waterways” are not triggered by the Project, and so do not apply, as the Project does not include any disputed area.

81. **Scope of Environmental and Social Management Framework**. Although the Project activities and their locations are generally identified, taking into consideration the emergency nature of the project and timelines for preparing site specific ESF documents, an Environmental and Social Management Framework (ESMF), including risk categorization and environmental and social assessment of project activities, will be developed to establish a baseline and identify typical environmental and social risks and impacts, and measures to manage those, to support the design, construction, and operational phase of the subprojects. The ESMF will be prepared based on the applicable requirements of the national laws and regulations, the WB’s ESF, WB Group’s Environmental Health and Safety (WBG’s EHS) General and sector-specific (if applicable) Guidelines, and Good International Industrial Practices (GIIP). If there are gaps among the different requirements and standards, the most stringent ones will be applied to the project.

82. The ESMF will include: (a) a general baseline analysis of Türkiye and affected cities, including an assessment of the municipality’s existing waste and storm water, and solid waste management systems, and the gaps between WB ESSs requirements and national regulations; (b) description of proposed subproject types; (c) assessments of the potential environmental and social risks and impacts and well-known generic mitigation measures for proposed investments; (d) criteria and guidelines for screening out subprojects that will impact cultural heritage sites, and guidance on assessment of potential cultural heritage presence by a competent authority; (e) guidelines and procedures for conducting an Environmental and Social Impact Assessment (ESIA); (g) outlines of the ESMPs, ESMP Checklists, and management plans that may be deemed necessary based on initial assessments (i.e. necessary updates to the municipalities’ existing Waste Management Plan, Hazardous Waste Management Plan, Traffic Management Plan, OHS Management Plan for Components 1 activities, etc.); (h) description and requirements for the monitoring plan and implementing responsibilities for site-specific ESIAs, ESMPs, ESMP Checklists and sectoral Management Plans; (i) Chance Find Procedure and mitigation guidelines; and (j) ESMF implementing arrangements and ESF capacity building activities for the PIUs and participating entities. Moreover, the ESMF (and LMP) will include necessary actions to address health and safety risks related to COVID-19, in line with the national guidelines and WB Note on “COVID-19 considerations in construction/civil works projects.” The ESMF document will include the LMP and a summary of the SEP and project Grievance Mechanism (GM) details. Site-specific environment and social instruments will be identified and prepared based on the initial environmental and social assessments under the ESMF and additional ESAs.

83. **A draft Stakeholder Engagement Plan (SEP)** has been prepared that outlines the general principles and strategy to identify key stakeholders and plan for an engagement process per ESS10. Each PIU will prepare SEPs for the subprojects under their implementation in line with the SEP before civil works begin. The subproject level SEP (i) mapped out direct, indirect and interested stakeholders for the project, (ii) vulnerable and disadvantaged stakeholders, (iii) outlines different engagement modalities tailored to the needs and characteristics of each stakeholder group, and (iv) factors in Covid-19 sensitive measures. ILBANK has an established and functioning Grievance Mechanism (GM) of which implementation is under the overall responsibility of the Department of International Relations. The GM is accessible to anyone, any group, institution or organization including ILBANK staff who wishes to provide feedback or raise concerns on ILBANK projects funded by different IFIs. ILBANK also prepared a GM Policy and Procedure in close collaboration with the Bank team; and the PMU is responsible for the dissemination and implementation of the policy. ILBANK will use this GM to receive, assess and resolve the grievances to be received within the scope of the Project.

84. **Resettlement Framework (RF)** will be prepared to outline procedures for land acquisition, land use restriction, involuntary resettlement, compensation, and livelihood restoration in line with ESS5. While major land acquisition or physical resettlement is not anticipated, construction investments to be financed within the scope of the Project may lead to small-scale land acquisition and resettlement. The RF will comprise a gap analysis between Turkish resettlement and expropriation laws, and the WB requirements under ESS5. The gaps will be identified, and measures will be put in place to bridge these gaps in order to ensure that any land acquisition and resettlement under the project will be based on the Turkish legal framework as well as being compliant with ESS5.

85. **Labor Management Procedures (LMP)** will be prepared to describe working terms and conditions; principles of non-discrimination and equality of opportunity; establishment of workers' organizations; restrictions concerning child and prohibitions of forced labor; and a workers' grievance mechanism.

86. **Borrower's Environmental and Social Commitment Plan (ESCP)**. The ESCP specifies main responsibilities and actions to be undertaken by ILBANK PMU and PIUs to ensure project compliance with the WB ESSs, in particular: (a) conducting environmental and social screening for all Project activities via ESMF covering the above aspects; (b) application of the ESMF and RF to all Project activities, including the need to prepare site specific ESIAs/ESMPs and Resettlement Plans; (c) reporting on environmental and social performance of all activities in biannual reports; (d) ensuring transparency in providing Project environment instruments and ensuring all sub-project specific ESIAs/ESMPs are disclosed and publicly consulted with all interested parties; (e) maintaining through the whole period of Project implementation human capacity to ensure project activities ESMF supervision and monitoring and providing adequate reporting to the implementing agency and to the WB; (f) preparation and adherence to the Environment, Social, Health and Safety Code of Conduct by works contractors; and (g) implementing and reporting on SEP, LMP, and Grievance Mechanism.

E. Gender, Citizen Engagement and Climate Change

Gender Gap Analysis, Project Actions and Monitoring

87. This Project aims to address several important gender gaps, with a specific focus on training opportunities and promotion of skilled positions for female engineering and municipal staff. The Project will also collect gender disaggregated data through the Results Framework on: i) beneficiaries of restored municipal infrastructure; ii)

improved access to resilient and safe water and sanitation services; iii) improved disaster and emergency response capacity; and iv) beneficiary feedback.

Improving representation of women in engineering

88. **Gap:** As seen in the Seismic Resilience and Energy Efficiency in Public Buildings Project (P175894) women's representation in the engineering field in Türkiye is low. Based on the Gender Assessment of 2017 Türkiye has one of the highest gender gaps in labor force participation among upper-middle-income countries in the ECA region.[32] Employment in the science, technology, engineering and mathematics (STEM) fields is particularly relevant for advancing women's employment and their income earning opportunities. However, 2020 data shows that women in Türkiye make up only *34 percent of the STEM (science, technology, engineering and mathematics)* workforce.[33] At this rate, women will be left behind in the world of work as digitalization and automation transform the world of work. The Covid-19 pandemic will only intensify the demands for higher STEM skills – so women and girls must seize the opportunities to enter engineering and other STEM fields. According to 2014 research made by Turkish Industry and Business Association on gender distribution in employed STEM graduates, the rate of male graduates hired in companies working in STEM fields was higher (64 percent) as compared to women (36 percent), a finding that in part relates to a lower expressed preference of women to enter STEM related fields.[34]

89. **Action:** To help narrow the gender gap in employment of women in technical roles in the engineering sector in Türkiye, the PMU and at least half of the PIUs will develop, organize and deliver a training program that will explicitly target female candidates. Supervision firms will be encouraged to include more female experts in their staff by receiving additional technical points during review. Given the volume of design and supervision required in this Project, there is a real opportunity to advance the professional experience of female engineers and technical professionals through this Project.

90. **Monitoring:** To monitor the impact of the training program on women's employment in Project activities and the promotion of female engineers and technical professionals, gender related information that would be monitored would include: (i) number of women that participate in technical trainings organized by the PMU and PIU on in the design and implementation of engineering projects; and (ii) Number of female staff, employed in the construction supervision firms contracted under the Project who are key staff (e.g., team leaders, professional engineers, architects).

Citizen Engagement and Inclusion

91. **Interventions in public infrastructure under the Project offer many opportunities for outreach and pro-active engagement with infrastructure users as well as surrounding communities**. To achieve the objectives of the proposed Project and ensure sustainability of the results, citizen engagement (CE) will be embedded in the Project design and will

[32] *https://openknowledge.worldbank.org/handle/10986/35974*
[33] *https://ilostat.ilo.org/how-many-women-work-in-stem/*
[34] *https://files.eric.ed.gov/fulltext/EJ1256296.pdf*

build on existing CE mechanisms used by the municipalities. The Stakeholder Engagement Plan (SEP) and subsequent plans will document the approaches in detail.

92. **Establishment of a citizen engagement process that builds on existing municipal systems and will be described in the Project Operations Manual.** Community liaison officers or stakeholder engagement specialists of municipalities will ask for citizen feedback via short questionnaires, online and short message service (SMS) surveys to measure perception and satisfaction towards Project activities, engagement and any benefits created from investments. A short questionnaire, documented in the Project Operational Manual, would be used to collect feedback through phone interviews, face-to-face or through other virtual means, depending on the prevailing COVID-19 pandemic circumstances.

93. **Citizen engagement actions will be measured through an indicator built within the results framework as well as satisfaction surveys**. Citizen Engagement will be monitored through the percentage of beneficiaries who report that the Project has established effective engagement processes, which will be measured during feedback interviews. Results will be disaggregated by gender, and vulnerability to the extent possible. A robust grievance mechanism will be set up for receiving continuous feedback.

Climate Change Mitigation and Adaptation

94. This Project has been screened by the World Bank for short- and long-term climate and disaster risks and has been assessed for its contribution to climate change adaption and mitigation (see annex 3 for more information).

95. **By investing in increased capacity of municipalities to respond to flood and wildfire emergencies, the Project makes a considerable contribution to climate change adaptation.** The wildfires and floods, as well as extreme heat, throughout summer 2021 clearly demonstrated the impact of a warming future as well as capacity gaps at local levels to respond to these types of disasters. By reducing the amount of forest/wildland burnt at the urban-wildland interface with increased fire response capacity, the Project will contribute to the protection of forest and vulnerable ecologies as well as reducing GHG emissions associated with wildfires. Similarly, by improving flood response capacity, cities are more prepared to protect citizens and assets in the event of flood.

96. **Municipal infrastructure investments contribute significantly to climate change adaptation.** These cities are highly vulnerable to flood and drought and under the first component, key actions will be taken to build climate resilience. For example, repairs and reconstruction of bridges will consider the additional capacity for water flow generated by more intense rainfall events as the climate warms using 500-year return period scenarios.

V. GRIEVANCE REDRESS SERVICES

97. 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 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.

VI. KEY RISKS

98. **The overall risk of the Project is rated as Substantial**, considering the mitigation measures adopted in the Project design.

99. **Macroeconomic risk is Substantial.** Türkiye's economic performance has been a tale of two economies-overall solid performance of the real economy, matched by a deterioration in macro-financial conditions. By November 2021 the exchange rate had depreciated by over 75 percent since the beginning of the year, inflation accelerated, risk premia have risen. Additional monetary policy accommodation and accelerating inflation have heightened financial stability concerns, which could be exacerbated by a further erosion in confidence-possibly triggering financial turmoil. There are several macroeconomic risks to the project: (i) a negative outlook in macro-financial conditions and any further significant depreciation of the currency could raise already elevated construction costs and FX risks faced by project developers in the construction sector. The construction sector is among the most severely hit in the current situation – leverage and exposure to forex debt might affect construction companies' ability to undertake specialized construction investment (ii) heightened supply-side constraints due to a spike in imported intermediate goods prices and as a result of heightened pricing uncertainties could lead to disruptions in procurement and delays in the Project (iii) Further currency depreciation could heighten FX risks of municipalities, put pressure on their already stretched budget and lead to debt service problems. ILBANK is the financial intermediary with strong financial position to mitigate the risks if the municipalities are faced with any difficulties and short-term liquidity problems. The macro risks should be mitigated by returning to a macro policy framework supporting macro stabilization and buffer accumulation, clearly communicated to investors, and implementation of ongoing corporate debt restructuring. The Bank will continue macro-financial analysis, maintain policy dialogue with economic agencies, and continue to offer technical assistance as requested by the authorities.

100. **Risks associated with Political, and Governance and Sector Strategies and Policies are considered as Moderate**. There is strong political buy-in within target municipalities to ensure timely and quality implementation of this Project, given the urgent needs identified. ILBANK will ensure that the Project is included in the Annual Investment Programme through the Presidency of Strategy and Budget. Sectoral policies for disaster risk management, urban development and energy efficiency in Türkiye are clear and well-articulated and are transposed well at sub-national level, so sector strategy and policy risks are considered Moderate.

101. **The technical design of the Project is rated as Moderate.** Activities associated with repairing and strengthening or reconstruction of municipal bridges, stormwater systems and nature-based solutions are very clear and there is significant experience within the municipalities and ILBANK team around design and implementation of these types of activities within Türkiye. The technical design also considers long-term resilience to climate change and embedding this into design does create additional complexity and may increase implementation timeframes, which is why this emergency Project has a 4-year timeframe. The private and public sector also has considerable, and growing, experience in the design and construction of resilient and energy efficient infrastructure, which will be further fostered under this Project. Staff within ILBANK have also benefited from technical assistance on the assessment of disasters and climate risks in investment

projects and options to reduce these risks.[35] With these mitigating factors, the overall technical design risks are considered Moderate.

102. **Institutional capacity for implementation and sustainability is rated as Moderate.** The ILBANK PMU and PIUs within the larger municipalities (e.g., Izmir and Antalya) have significant experience working with IFIs as well as IFC and have implemented many projects related to improving municipal infrastructure. All the municipalities and utilities will conduct their own procurement as per Procurement Regulations under the Project. ILBANK has significant experience across all Bank systems and will be providing oversight throughout implementation. ILBANK will ensure the proper application of the Procurement Regulations to the Project activities and procurement of goods, works and services under the Project. With the addition of expertise, provided through consultants hired under the Project, the residual risk is considered Moderate.

103. **Fiduciary risks are rated as Substantial.** ILBANK has solid experience in financial management capacity and extensive experience with World Bank and other IFI Projects. Izmir MM, IZSU, Antalya and ASAT also have strong municipal and utility financial management experience, including experience with World Bank, IFC, and EBRD projects over decades. Therefore, the FM rating is considered moderate. Given the complexity of the Project as well as Sub-borrowers' unfamiliarity with Bank procurement procedures, the overall procurement risk is assessed as "Substantial" for the proposed Project. In combination, the overall fiduciary risk is considered Substantial.

104. **Environment and Social Risks are rated as Substantial.** The environmental and social risks related to the Project activities are mainly confined to Component 1 that could be associated with the proposed demolition, structural strengthening, and construction activities include emissions of dust and vehicle exhausts impacting air quality; noise and vibration causing disturbances; generation of hazardous (including Asbestos-Containing Materials – ACM) and non-hazardous waste; OHS-related risks due to unsafe practices; traffic and road-related risks from increased traffic volume and movement of heavy-duty vehicles; closure of roads and blockades of sidewalks and interrupted access to certain public facilities; risks associated with labor influx that may impact community health and safety; risks of spreading COVID-19 infection; economic resettlement and temporary involuntary land take impacts; and involvement of multi-stakeholders. The delicate coordination and engagement need as well as the additional E&S management capacity needs on both ILBANK, and subject municipalities and utilities contribute to the Substantial risk rating for the Project.

105. **Stakeholder Risks are rated as Moderate.** The Project will have strong buy-in from stakeholders, who will benefit from repaired, strengthened and renovated, fully reconstructed, or newly constructed municipal infrastructure, as well as the architects, engineers, and contractors who will see increased demand for their services. Moreover, the Project will support other infrastructure improvements such as universal access and cycle paths which are expected to be well received by residents. Investments in emergency response capacity is typically positively received by beneficiaries, especially if residents had observed capacity gaps during past disasters. Interventions in municipal infrastructure will also benefit residents with reduced flooding and strengthened and repaired bridges. However, there may be interruptions to traffic flow which could create stakeholder risks and this needs to be carefully managed. With a high level of oversight from the Bank team, ILBANK and the PIUs, and significant outreach and communication to potential and actual beneficiaries, it is expected potential issues can be well managed, yielding a Moderate rating.

[35] The technical training and materials on disaster and climate risks was developed with support from the Japan-World Bank Program for Mainstreaming DRM in Developing Countries, which is financed by the Government of Japan and managed by the Global Facility for Disaster Reduction and Recovery (GFDRR) through the Tokyo Disaster Risk Management Hub

106. **“Other” Rating refers to the impact of the ongoing COVID-19 pandemic on the Project which is considered Moderate as well as potential other disasters that could occur during Project Implementation.** Given the expected timing of this Project, construction activities will begin in late 2022 and early 2023 which may be affected by continued pandemic related restrictions and moreover safety protocols onsite will need to be carefully managed. With respect to other disasters, the Bank and Government of Türkiye are proactively building resilience through current and pipeline Projects. The funded CERC (Component 4) gives the government flexibility to rapidly respond to disaster recovery and reconstruction needs.

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY: Turkiye
Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project

Project Development Objectives(s)

To support green and resilient disaster reconstruction in municipalities affected by earthquake, floods or wildfires, to strengthen municipal capacity for disaster resilience, and to respond promptly and effectively in the event of an Eligible Crisis or Emergency.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	End Target
Support green and resilient disaster reconstruction and preparedness in Project municipalities			
People benefitting from municipal infrastructure with restored operational capacity and improved resilience (gender disaggregated) (Number)		0.00	6,562,000.00
People benefitting from improved disaster and emergency response capacity (gender disaggregated) (Number)		0.00	17,400,000.00
Strengthen capacity to integrate disaster and climate resilience			

Indicator Name	PBC	Baseline	End Target
Percentage of trained municipal staff who expressed that they are able to integrate green, resilient and inclusive development into institutional action plans and future investment portfolios. (Percentage)		0.00	80.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
1. Municipal Infrastructure and Actions to Strengthen Municipal Resilience			
Cities with improved livability, sustainability, and/or management (CRI, Number)		0.00	18.00
Number of fire and emergency stations benefiting from enhanced fire and flood preparedness and response equipment (Number)		0.00	14.00
Population directly benefitting from improved storm water systems and resultant reduction in flash flooding potential during intense rainfall (gender disaggregated) (Number)		0.00	822,000.00
Number of people provided with restored access to rehabilitated climate-resilient sanitation/water supply services (Climate Indicator, gender disaggregated) (Number)		0.00	1,247,000.00
Engineering Structures (Roads, bridges and junctions) rehabilitated or reconstructed with restored operational capacity and improved resilience (number of investments) (Number)		0.00	2.00

Indicator Name	PBC	Baseline	End Target
Percentage of women in design and supervision consultancies contracted under the Project who are key staff (Percentage)		0.00	20.00
2. Technical Assistance to Support Green, Resilient and Inclusive Cities			
Local authorities and Ilbank staff trained in the design and implementation of disaster and climate resilient projects (Number)		0.00	250.00
Of which, are female (Percentage)		0.00	50.00
3. Project Management/Operating Costs			
Percentage of beneficiaries who report that the Project has established effective engagement processes (Percentage)		0.00	80.00
Of which, are female (Percentage)		0.00	40.00
4. Contingent Emergency Response			
Mechanism established and ready to provide access to financial resources in case of an eligible climate-related or disaster crisis or emergency (Yes/No)		No	Yes

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
People benefitting from municipal infrastructure with restored operational capacity and improved resilience (gender disaggregated)	Measures the population that directly benefit from improved municipal infrastructure following repair/strengthening, demolition/reconstruction, new construction or renovation under the Project.	Biannual	Technical and progress reports.	Technical reports and progress reports, drawing on data from municipal infrastructure activities financed under the project.	PMU/PIU
People benefitting from improved disaster and emergency response capacity (gender disaggregated)	Measures the populations of the municipalities who directly benefit from enhanced emergency and disaster response services, through the provision of new emergency response vehicles and equipment for disaster and fire response and new fire stations.	Annual	Progress Reports.	Data drawn from progress reports.	PIU and PMU
Percentage of trained municipal staff who expressed that they are able to integrate green, resilient and inclusive development into institutional action plans and future investment portfolios.	This indicator will monitor the number of municipal staff with ability to integrate green, resilient and inclusive development approaches into their daily activities such as institutional	Annual	PMU/PIU	Reports	PMU/PIU

	strategic planning and investment programming processes as a result of knowledge gained through capacity building activities under the Project. The indicator will be measured through surveys applied to municipal staff in selected cities that will be conducted before and after each capacity building activity.				

Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Cities with improved livability, sustainability, and/or management		Definition: Measures the number of cities benefiting from the technical capacity support in	Technical reports and progress reports	Technical reports and progress reports, drawing on data from infrastructure financed under the project. Urban building plans as well as other local recreation plans	PMU/PIU

		technical and strategic skills to prepare, design and implement projects and strategic and spatial plans that integrate disaster and climate risks. Frequency: Annual			
Number of fire and emergency stations benefiting from enhanced fire and flood preparedness and response equipment	Number of cities with fire services and first responders who will benefit from newly acquired firefighting and flood response equipment and vehicles.	Annual	PIU/PMU	Annual reports	PIU/PMU
Population directly benefitting from improved storm water systems and resultant reduction in flash flooding	Measures the population living in areas benefited from separation of storm	Annual	Progress reports. Data from	Data drawn from progress reports.	PIU/PMU

potential during intense rainfall (gender disaggregated)	water and sewage systems under the Project (direct beneficiaries). The resilience of these areas to floods will improve as a result of the reduction in flash flooding potential during intense rainfall which will also indirectly benefit populations working, traveling through, or visiting areas previously prone to flooding.		municipalities.		
Number of people provided with restored access to rehabilitated climate-resilient sanitation/water supply services (Climate Indicator, gender disaggregated)	Population (direct beneficiaries) within muncipalities that directly benefit from climate and disaster resilient sanitation and water supply systems, such as water treatment plants, water networks, sewage systems etc	Annual	Progress reports.	Data drawn from progress reports.	PIU/PMU
Engineering Structures (Roads, bridges and junctions) rehabilitated or reconstructed with restored operational capacity and improved resilience (number of investments)	Measures the number of investments in roads, junctions and bridges that are rehabilitated or constructed with restored operational capacity and improved resilience. Where	Biannual	Technical and progress reports	Data drawn from technical and progress reports.	PIU and PMU

	appropriate, the designs for repair and strengthening or reconstruction of the junctions will provide facilities for non-motorized transport.				
Percentage of women in design and supervision consultancies contracted under the Project who are key staff	This indicator will measure the number of women participating in the implementation of the project via appointed consultancy firms for design and supervision, who are key staff. Key staff refers to: team leaders, professional engineers, architects etc that are requested in the TOR under Staff Qualification Requirements.	Annual.	Progress and/or monitoring and/or building works reports	Data will be collected from appointed firms annually	PIU and Local Authorities
Local authorities and Ilbank staff trained in the design and implementation of disaster and climate resilient projects	Measures the number of local government and Ilbank staff trained in the design and implementation of building retrofitting and renovation, including innovative technologies.	Annual	Progress Reports	Data drawn from progress reports.	PIU/PMU
Of which, are female					
Percentage of beneficiaries who report that the Project has established effective	This indicator will monitor the percentage of	Bi-annual	PIU, collected	Survey results, community structures,	PIU/PMU

engagement processes	beneficiaries who report that the Project has established effective engagement processes. This will be measured through citizen feedback interviews (surveys via online and short message service (sms), phone interviews, face-to-face or through other virtual means, depending on the prevailing COVID-19 pandemic circumstances.)		from citizen feedback survey results. This can be online surveys, sms surveys etc.	etc.	
Of which, are female					
Mechanism established and ready to provide access to financial resources in case of an eligible climate-related or disaster crisis or emergency	CERC Manual is prepared, approved and ready for application. CERC manual is updated as needed.	Annual	PMU	PMU	PMU

ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Türkiye
Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project

Institutional and Implementation Arrangements

1. **Project Management.** The ILBANK Project Management Unit (PMU) was established under the International Relations Department of ILBANK for the implementation of IFI financed projects. The PMU is organized according to functions and specializations. The PMU staff is grouped four functional units: Technical Management Unit, Contract Management Unit, Financial Management (FM) Unit and Business Development Unit. ILBANK management employed new staff in the International Relations Department to expand staff capacity. These functional units are led by unit managers and have sufficient technical and staff capacity in procurement, FM, and technical sectors particularly for water, wastewater, solid waste management and transport. When needed, ILBANK will hire consultants from project resources to obtain technical support in areas or sectors ILBANK has limited capacity and experience.

2. **ILBANK's** International Relations Department has experienced staff in technical, procurement, environmental, social, and FM-related procedures of the Bank. ILBANK staff received numerous trainings related to the Environmental and Social Framework (ESF) and have experience with the Bank's previous safeguard operational procedures and the ESF. ILBANK's environment and social team consists of two technical experts—one acting as the environmental focal point and the other as the social development/land acquisition focal point. The ILBANK team gained significant experience during the implementation of previous MSP, MSP-AF, SCP1, SCP2, SCP2-AF, and Municipal Services Improvement Projects (MSIP) financed by the Bank. ILBANK will hire one additional Environmental Specialist, one Social Specialist, one Communication and Stakeholder Engagement Specialist, Technical Consultant and one OHS Specialist for implementation of this Project.

3. The International Relations Department is supported by several specialized departments within ILBANK. These include a Project Department responsible for control and approval of technical 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 Investment Coordination, Accounting and Financial Affairs, Information and Technology (IT), and Banking Services.

4. **Project Implementation Units.** Project Implementation Units (PIU) will be established for this Project within the beneficiary municipalities. PIUs are expected to be staffed by civil servants and consultants hired for the Project with experts required across financial management, procurement, social, environmental and OHS specialties.

5. **Legal relationships, fund flow, and the control of funds.** Legal arrangements will include the following: (a) a Loan Agreement between the Bank and ILBANK, (b) a Guarantee Agreement between the Republic of Türkiye (represented by the Ministry of Treasury and Finance) and the Bank, (c) a Guarantee Protocol between the Ministry of Treasury and Finance and ILBANK, (d) sub-loan agreements between ILBANK and the beneficiary municipalities and municipal entities. Fund flow under the Project will be overseen by the International Relations Department of ILBANK. Within the scope of the project, the International Relations Department is also responsible for ensuring compliance with the Bank's regulations on regulations

on procurement for goods, works, and services. The Project Operations Manual will guide ILBANK on the use of loan funds and reporting arrangements.

6. **Project implementation.** ILBANK will provide project implementation support to the municipal PIUs and carry out supervision of the sub-loan agreements, with PIUs conducting the selection of consultants for their respective subprojects. They will also be responsible for the procurement of civil works and goods and these contracts will be signed by the sub-borrower and the firm or contractor. In accordance with the sub-loan agreement, the sub-borrowers will carry out the following:

a) Manage and implement the subproject in a sound technical and financial manner, including management of the procurement process, certification of payments from consultants and contractors, and construction supervision with the assistance of construction supervision consultants where required
b) Implement the ESF in a satisfactory manner, including environmental activities during project preparation and implementation involving appropriate level of public consultation and information disclosure
c) Provide necessary technical and financial information, including collection and monitoring of results data, to ILBANK on time
d) 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
e) To assist in undertaking these responsibilities, PIUs will be set up to manage subproject implementation. The PIUs will be staffed by municipal employees. However, the PIUs may be supplemented by individual consultants, as necessary.

7. **Annual work plan.** Based on the information from prioritization, assessments and audits, the PMU and PIUs will prepare an annual work plan and budget, to be submitted at the beginning of each calendar year, which will include: (i) all activities to be carried out under the Project during the following year; (ii) other TA or training activities that may be required under the Project including the purpose, cost and type of training and draft Terms of Reference; and (iii) a proposed financing plan. Each annual work plan will be discussed and approved by the Bank.

Financial Management and Disbursements

Implementing Agencies

8. ILBANK, the Borrower, will have the overall responsibility for the financial management of the Project. ILBANK is an experienced institution with satisfactory implementation experience with World Bank-financed operations. The PMU established under the International Relations Department of ILBANK will be the main point of contact and will ensure that the systems already in use for several active projects are adapted to the needs of this Project as well. The PMU will be responsible for the management of the designated account as well as the project accounting, reporting, and auditing.

9. Municipalities will also establish their respective Project Implementation Units (PIUs) to ensure effective collaboration with ILBANK for the implementation of project activities in their respective areas.

Accounting and Reporting Systems

10. 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 system. Project accounting for the ongoing WB-financed projects is integrated into this system using sub-accounts that were

created under the Bank`s main chart of accounts. The PMU staff prepares the payment orders and the Accounting Department`s staff make the accounting entries into the Bank`s main accounting system. Interim Unaudited Financial Reports are also generated automatically through the system. The Project will rely on these existing systems and the accounting and reporting for the project will be fully integrated into the IL_BIS system. ILBANK will conduct the necessary modifications to the IL_BIS system and these arrangements are expected to be in place by project effectiveness.

Internal Controls

11. ILBANK has robust systems, manuals and guidelines regulating the internal controls environment. The accounting and reporting systems at ILBANK are geared toward producing statements and information as required by Turkish laws and regulations. Additionally, ILBANK has developed and executed specific internal control procedures for the implementation of the foreign financed projects and these procedures are clearly defined in the project financial management manual.

12. The Project will disburse through sub-loan agreements signed between ILBANK and beneficiary municipalities. The respective PIUs will submit the payment requests to the PMU after verifying completeness and accuracy of all documentation. Similar to the procedures applied in the projects currently under implementation, the PMU will utilize detailed checklists that will be completed and signed by the relevant staff before processing the payments. Those checklists will include financial controls on advance payments made for works in progress, financial controls on payments to individual consultants and corporate consultants, financial controls on work progress payments, financial controls on goods purchases. The payments will be made directly from the designated account to the suppliers' or beneficiaries' bank accounts.

Internal Audit

13. ILBANK has an Internal Controls Department, Risk Management Department, and an Inspection Department. All three departments report directly to the Board of Directors. The Internal Controls Department has identified "standard control points" for foreign financed loans. This is standard for all departments and controls points are defined for each function of ILBANK. The International Relations Department, like other departments of ILBANK, is required to complete the form monthly and provide assurance through self-declaration that all control points have been complied with. As a part of its normal procedures, the Department conducts quarterly on-site review of compliance with the control points. There have not been any irregularities observed in foreign financed loans as a part of the internal control review. The Project will also be a part of regular review of internal controls department. The Risk management Department conducts continuous monitoring and reports to the Board on the status of ILBANK`s loan portfolio. Loans that will be granted to municipalities will be monitored by the Risk Management Department. The Inspection Department is responsible for investigating irregularities as well as conducting regular reviews of ILBANK systems.

Interim Un-Audited Financial Reports

14. The interim un-audited financial reports (IFRs) will be prepared quarterly and will be submitted to the Bank no later than 45 days after the end of each calendar quarter. The format and the content of the IFRs will be agreed upon with the Bank and attached to the Minutes of Negotiation. The IFRs will include the following reports at a minimum:

- Project Balance Sheet,
- Expenditure tables per activity, including explanation of significant variances between budgeted and actual figures,
- Expenditure tables per category, including explanation of significant variances between budgeted and actual figures,
- Designated account statement.

External Audit

15. ILBANK will submit the audit reports presented in the table below during the lifetime of the Project. The project financial statements, excluding the Management Letter of auditors, are required to be made publicly available in accordance with the World Bank' Access to Information Policy.

Audit Report Type	Due Date
Entity financial statements (EFS) prepared in accordance with Turkish Accounting Standards (or International Financial Reporting Standards)	Within six months after the end of each calendar year and at the closing of the project.
Project financial statements (PFS)	Within six months after the end of each calendar year and at the closing of the project.

16. ILBANK has been submitting audited entity and project financial statements to the World Bank for the ongoing projects. ILBANK's entity financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been audited by private sector auditors in accordance with International Standards on Auditing. The audited entity financial statements had unmodified (clean) audit opinions for the last three years, 2018, 2019 and 2020.

17. ILBANK additionally prepares financial statements for the World Bank-financed projects. These financial statements are audited by the Treasury Controllers who are government auditors responsible for the audit of World Bank financed projects as per Public Debt Law No.4749.

Funds Flow and Disbursement Arrangements

18. ILBANK, will open a designated account in the currency of the loan in a bank acceptable to World Bank. Disbursements from the loan account will follow the transaction-based method, i.e., traditional Bank procedures: Advances, Direct Payments, Special Commitments and Reimbursement (with full documentation and against Statements of Expenditures (SOEs). The withdrawal applications will be prepared and authorized by ILBANK PMU.

19. A detailed Disbursement and Financial Information Letter (DFIL) explaining all procedures will be provided to ILBANK PMU prior to Negotiations. Disbursements below agreed thresholds indicated in the DFIL will be made according to certified Statements of Expenditures (SOEs). Full documentation in support of SOEs would be retained by ILBANK for at least seven 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 by Bank staff and for annual audits which will be required to specifically comment on the propriety of SOE disbursements and the quality of the associated record-keeping.

Supervision

20. During project implementation, the Bank will supervise the project's financial management arrangements as follows: (a) during the Bank's implementation support missions, the financial management and disbursement arrangements will be reviewed to ensure compliance with the Bank's minimum requirements; and (b) project's quarterly interim unaudited financial reports as well as the project's annual audited financial statements and auditor's management letter will be

reviewed. A Bank-accredited Financial Management (FM) Specialist, located in the WB Ankara Office, is a core member of the project team and will supervise FM aspects during formal supervision visits and in-between as required.

Procurement Arrangements

21. **Applicable Regulations.** The World Bank Procurement Regulations for IPF Borrowers – November 2020 ("Procurement Regulations") will apply to the proposed Project. A General Procurement Notice (GPN) will be published on the World Bank's external website and United Nations Development Business online immediately after the project negotiations.

22. **Anticorruption Guidelines**. The 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 01, 2016) ('Anticorruption Guidelines') will apply to the project.

23. **Project Procurement Strategy for Development (PPSD).** The Procurement Regulations require the Borrower to develop a PPSD for the Project. Since municipalities/utilities are considered to be in urgent need of assistance described under paragraph 12 of OP10.00, a simplified draft Project Procurement Strategy for Development (PPSD) is prepared by ILBANK. The PPSD describes how procurement activities will support project operations for the achievement of the PDOs and deliver value for money. The PPSD will be linked to the overall project implementation strategy by ensuring proper sequencing of procurement activities. It provides information on institutional arrangements for procurement, roles and responsibilities, appropriate procurement methods, procurement due diligence, and other requirements needed for carrying out procurement. Once Sub-Loan Agreement is signed between the municipalities or utilities and ILBANK, Supplementary Notes to the PPSD, including procurement plan, will be prepared and submitted to the Bank with those identified activities in order to update and complete the missing information in the PPSD.

24. The PPSD studies for the selection of consultancy firms for "design review and preparation of bidding documents using internal (non-IBRD loan) resources of ILBANK. It is envisaged that these consultants will support Municipalities/utilities for the preparation of the bidding documents for the works tender, and therefore, consultants' timely input is very critical for the initiation of the relevant procurements planned in the procurement plan.

25. The PPSD discusses that contracting of individuals in accordance with the Procurement Regulations will give flexibility in decision making to the project implementation teams in ILBANK and in the beneficiary municipalities in addition to maintaining uniformity in the followed selection procedures under the project. ILBANK needs to establish a separate team of experts for this Project due to its urgent nature and intensive workload of ILBANK with other World Bank financed projects. Therefore, PPSD propose to hire the individual experts required for ILBANK PMU and municipality/utility project implementation units in accordance with the individual consultant selection procedures as specified in the Procurement Regulations. These include but not limited to Procurement Specialist, Contract Management Consultant, Financial Management Specialist, Environmental Specialist, Social Specialist, Monitoring and Evaluation Expert and Communication Specialist.

26. **Procurement Plan and procurement tracking**. The Procurement Regulations require the Borrower to use the Bank's Systematic Tracking of Exchanges in Procurement (STEP) online procurement tracking tool to prepare, clear and update its procurement plans, and conduct all procurement transactions. ILBANK will create the procurement plan through STEP prior to initiating any procurement. The PPSD and the underlying Procurement Plan will be updated at least annually or via supplementary notes to the PPSD as required to reflect actual project implementation needs, i.e. adding new activities to the Procurement Plan. The Procurement Plan and their updates shall be subject to Bank's review and approval. Only

ILBANK will be given STEP access in the Project portal. All the procurement related complaints will be recorded in the STEP complaint module by ILBANK.

27. The contracts agreed by the Bank for financing and included in the procurement plan are listed below in Table 1.

Table 1: Agreed contracts

Contract Description	Reference No.	Proc. Category	Procurement Method	Market Approach	Review Method	Estimated Contract Signing Date	Estimated Contract Completion Date (includes defects liability period)
Consultancy Services for Construction Supervision of Lot 1- Gazipaşa WWTP Capacity Increase (MBR Treatment), Lot 2- Kaş WWTP Capacity increase, Lot 3- Hurma WWTP Capacity increase	ASAT-C1	CS	QCBS	Open Int.	Post	2022/12/15	2025/12/15
Consultancy Services for Construction Supervision of Drinking Water Network Project	DUZCE-C1	CS	QCBS	Open Int.	Post	2022/12/15	2025/12/15
Consultancy Services for Construction Supervision of Highway Bridges and Connection Roads Above the Stream in Various Places Over İzmir and Ege District Junction Construction Project	IZMIR-C1	CS	QCBS	Open Int.	Post	2022/12/15	2025/12/15
Consultancy Services for Construction Supervision of Water Network, Stormwater, Sewerage Networks, WWTP 1, WWTP 2 and WWTP Construction Projects	SINOP-C1	CS	QCBS	Open Int.	Post	2022/12/15	2025/12/15
Construction of Lot 1- Gazipaşa WWTP Capacity increase- MBR Treatment ii) Lot 2- Kaş WWTP Capacity increase iii) Lot 3- Hurma WWTP Capacity increase	ASAT-W1	W	RfB	Open – National	Prior	2023/05/15	2026/05/15
Construction of Drinking Water Network Project	DUZCE-W1	W	RfB	Open – National	Prior	2023/05/15	2026/05/15
Construction of Ege District Junction	IZMIR-W1	W	RfB	Open – National	Post	2023/05/15	2026/05/15
Construction of Sewerage Networks	SINOP-W1	W	RfB	Open – National	Prior	2023/05/15	2026/05/15
Procurement of Firefighting, Flood Vehicles and Equipment	ASAT-G1	G	RfB	Open Int.	Prior	2023/01/15	2025/07/15
Procurement of Firefighting, Flood Vehicles and Equipment	BALIKESIR-G1	G	RfB	Open Int.	Prior	2023/01/15	2025/07/15
Procurement of Firefighting, Flood Vehicles and Equipment	BURSA–G1	G	RfB	Open Int.	Prior	2023/01/15	2025/07/15
Procurement of Firefighting, Flood Vehicles and Equipment	MUSKI – G1	G	RfB	Open Int.	Prior	2023/01/15	2025/07/15
CS: Consulting Services; G: Goods; W: Works; RFB: Request for Bids; Int: International							

28. **Advance procurement**. Procurement Regulations Paragraphs 5.1 and 5.2 (Advance Contracting and Retroactive Financing) permits that the Borrower may wish to proceed with the procurement process before signing of the Legal Agreement. In such cases, if the eventual contracts are to be eligible for World Bank financing, the procurement procedures, including advertising, shall be consistent with Sections I, II, and III of the Procurement Regulations which cover the World Bank's Core Procurement Principles of economy, efficiency, transparency, fairness, fit-for purpose, value for money, and

integrity. With this understanding, the selection of consultant companies and PIU consultants for municipalities/utilities may be initiated immediately after project negotiations upon publication of the General Procurement Notice. It is envisaged that the proposed approach will accelerate the selection of consultant companies and will support to deliver the project development objectives. The selected consultants will also provide services to relevant municipalities/utilities for the quality assurance of the works and timely completion on the contracts within their original contract prices.

29. **Procurement Methods and Standard Procurement Documents.** While comprehensive selection methods and use of Bank's Standard Procurement Documents will be applicable, due to emergency response nature of the Project, arrangements will be used in the project procurements. Higher thresholds may be used for the national streamlined procurement procedures and simple selection procedures may apply for the selection of consultants. Determined thresholds and selection methods will be reviewed by the Bank during the project supervisions and/or when the Bank decides and will be updated as appropriate.

30. **Procurement risk assessment**. The World Bank has conducted a procurement risk assessment for the project, with a focus on ILBANK in terms of: (i) procurement regulatory framework and management capability; (ii) integrity and oversight; (iii) procurement process and market readiness; and (iv) procurement complexity. The assessment concludes that: (a) applicable procurement policies and the regulatory system are designed broadly to meet Core Procurement Principles of value for money, economy, efficiency, effectiveness, integrity, transparency and fairness and accountability; (b) ILBANK has a clear system of accountability with clearly defined responsibilities and delegation of authority on who has control of procurement decisions; (c) there is a clear identified target market for all procurements; and (d) ILBANK/Municipalities effectively manages contracts to ensure delivery as per the contract conditions. The assessment is recorded in the Procurement Risk Assessment and Management System of the Bank.

31. ILBANK will undertake the overall responsibility of the project implementation and coordination through its Project Management Unit (PMU) located under the International Relations Department. PMU was originally established in 2005 for the Bank financed MSP-I project and has been continuously operational throughout MSP-II, SCP-I, SCP-II, and SCP-II additional financing and Municipal Services Improvement Project in Refugee Affected Areas projects. Hence, PMU is experienced in Bank financed projects and familiar with World Bank procurement procedures and contract management. All the municipalities and utilities will conduct their own procurement as per Procurement Regulations under the Project. The technical requirements in the selection documents will be agreed by the municipalities/utilities. ILBANK will ensure the proper application of the Procurement Regulations to the Project activities and procurement of goods, works and services under the Project.

32. ILBANK PMU is established with four separate units namely Contract Management Unit, Financial Management Unit, Technical Management Unit and Business Development Unit. The procurement management is under the responsibility of the Contract Management Unit. Considering fast track urgent response nature of the project, and heavy workload of existing PMU staff due to other Bank financed SCP-I, SCP-II and SCP-II additional financing and MSIP projects, and also from projects of other IFIs, a dedicated procurement team will be established under the PMU with minimum 2 procurement experts who are familiar with the Bank procurement procedures. This dedicated procurement team (TEWFER procurement team) will be supported by relevant specialized departments within ILBANK. The TEWFER procurement team will ensure the proper application of the Procurement Regulations to the Project activities and procurement of goods, works and services under the Project. In case of need, Investment Coordination Department with vast experience in procurement under the public procurement procedures will bring additional capacity to the TEWFER procurement team. When needed, PMU will be supported by Project Department responsible for review and approval of feasibility studies (if any) under the Project. In addition, the Infrastructure Implementation Department will provide support to the review of technical

specifications; and several other administrative departments such as Accounting and Financial Affairs, IT, and Banking Services will be ready provide support when needed.

33. The beneficiary municipalities/utilities have certain technical and procurement capacity to operate their regular services with varying staff capacity depending on the size of the city. Some of the municipalities have experience of working with IFIs in their investment projects financing but, in most cases, experienced staff may not be available for the proposed project. Considering limited implementation duration of the project, the participating municipalities/utilities will establish dedicated project implementation units comprised of procurement and technical experts. These experts will be involved in the selection process of the consultant companies, works contractors, good suppliers and management of concluded contracts. The participating municipalities/utilities will hire experts experienced in the procurement and management of the contracts in the Bank financed projects, if such staff already do not exist in their teams.

34. Given the complexity of the Project as well as Sub-borrowers' unfamiliarity with Bank procurement procedures, the overall procurement risk is assessed as "Substantial" for the proposed Project. Each of municipalities/utilities will establish PIUs under the Project and hire individual consultants experienced under World Bank Projects. Some municipalities and utilities developed capacity and experience in the implementation of IFI financed projects but most of the municipalities or utilities do not have World Bank project procurement implementation experience. Procurement risks were identified, and relevant action plan has been agreed with ILBANK to mitigate these risks as presented in the Table 1 below.

Table 1: Procurement risks and mitigation measures

Action No.	Identified Risk	Mitigation Measure	Responsible Party	Time Frame
1	ILBANK is implementing four World Bank financed projects and the projects financed by other IFIs simultaneously. The teams in the PMU are overloaded. PMU may not be able to meet the procurement deadlines.	ILBANK PMU continuously increases its capacity through recruitment new staff, hiring new consultants and investing in capacity building activities. In addition to these capacity development measures, a dedicated PMU team established to implement the project activities and at least 2 experienced procurement specialists will be employed in this unit.	ILBANK	TORs will be prepared by ILBANK and the positions will be advertised in advance before the project effectiveness. Contracts will be signed within one month of the Project becoming effective.
2	Project implementation duration is relatively short and most beneficiary municipalities / utilities have no WB procurement experience. If the procurement schedules are not met the contracts may not be completed on time. To	Beneficiary municipalities/utilities will employ staff experienced in procurement and contract implementation, preferably World Bank procurement regulations. These staff will be trained by PMU Procurement Specialists.	ILBANK/ Municipalities/ Utilities	Contracts will be signed within one month of signature of the subloans.

Action No.	Identified Risk	Mitigation Measure	Responsible Party	Time Frame
	accelerate the project implementation, ILBANK will ensure the proper application of the Procurement Regulations to the Project activities and procurement of goods, works and services under the Project. This arrangement requires parallel implementation of procurement activities including establishment of various bid evaluation committees			
3	Differentiation of procurement implementations among the implementation entities. It may create unnecessary questions from the procurement stakeholders.	Develop a Project Operations Manual.	ILBANK	Before the Project effectiveness.
4	The global nature of the COVID-19 outbreak that creates shortages of supply and services (this may result in increased prices and cost, particularly for equipment that is at high demand globally).	The risk is accepted. Before entering into contracts, ILBANK/Municipalities/Utilities will compare the prices with available market prices.	ILBANK/Municipalities/Utilities	Throughout the project.
5	Incomplete environmental and social safeguard studies may delay commencement of the contract implementation.	If applicable, all safeguard studies will be completed before signing of the contracts.	ILBANK	Throughout the project.
6	Misinterpretation of the Procurement Regulations and terms and conditions	Work closely with World Bank Procurement Specialist.	ILBANK	Throughout the project.

Action No.	Identified Risk	Mitigation Measure	Responsible Party	Time Frame
	of the contracts. It may cause noncompliance and also time and cost overruns in the contract implementation.			
7	Time and cost overruns in the contract implementation	Define realistic contract duration. Prepare designs and BoQs to reflect site conditions, scope and phases of the contract. Conduct realistic market survey during cost estimation. Establish strong project management and supervision mechanism.	ILBANK/ Municipalities/ Utilities	Throughout the project. At the tender document preparation stage and contract management
8	Potential use of Forced Labor by solar panel manufacturers and suppliers under the Project.	Bank's Standard Bidding Documents with necessary qualification and contract provisions will be used.	ILBANK/ Municipalities/ Utilities	Throughout the project.

35. **Procurement supervision frequency.** The World Bank will review the procurement arrangements performed by implementing agency, including contract packaging, applicable procedures, and the scheduling of the procurement processes, for their conformity with the Legal Agreement. Those procurements did not have ex-ante due diligence by the World Bank will be subject to ex-post due diligence on a sampling basis in accordance with the procedures set forth in Paragraph 4 of the Annex II to the Procurement Regulations. A post review of the procurement documents will normally be undertaken annually during the World Bank's supervision mission, or the World Bank may request to review any particular contract at any time. In such cases, the PMU shall provide the World Bank the relevant documentation for its review.

36. **Complaint review**. The procurement complaints other than covered under Annex III of the Procurement Regulations are to be handled by the ILBANK in accordance with the procedures agreed by the Bank and stipulated in the POM. Immediately upon received, the complaints will be recorded in the STEP complaint module by ILBANK. Municipalities and utilities will not proceed with the next stage/phase of the procurement process, including with awarding a contract without satisfactory resolution of the complaint(s).

37. In case of trigger of the CERC, fit-for-purpose selection methods, market approach options using streamlined procurement procedures will be adopted for the procurement activities, e.g., higher thresholds for simple selection methods and shortened bidding durations as stipulated in the Bank's Guidance for "Procurement in Situations of Urgent need of assistance or Capacity Constraints" and agreed in the POM.

38. **Operating costs** will not be considered under procurement implementation. Such operational costs are reasonable incremental expenses directly incurred on account of the implementation, management, and monitoring of the Project by the Borrower; such costs may include, as relevant, and as the Bank may agree, for the following: (a) project audits; (b) office supplies; (c) office rental; (d) vehicle rental; (e) office and equipment maintenance and repair; (f) communications; (g) translation and interpretation; (h) travel associated with Project supervision; (i) publication fees; (k) ownership of intellectual property rights; and (l) other miscellaneous expenses directly associated with the Project and agreed between the Bank and the Borrower.

39. **Training Costs** will not be considered under procurement implementation. Such training cost are reasonable expenditures (excluding costs of goods, consulting and non-consulting services) incurred for Project-related capacity building activities, including study tours, training courses, seminars, workshops and other training activities; such costs include travel, accommodation and *per diem* costs associated with training, workshop and study tour participants and trainers, space and equipment rental, and other training related miscellaneous costs, all based on an Annual Work Plan and Budget agreed with the Bank.

ANNEX 2: Financial Intermediary Assessment

1. Because this project includes a line of credit, it requires an OP 10 FIF policy compliance review. This review ensures that the Project does not contradict the World Bank Group's ongoing financial sector policy dialogue with national authorities and does not promote unsustainable practices. While state owned development banks are often a feasible solution for addressing development needs and closing financing gaps, their setup and structure need to be tailored to the country's needs. Based on different country experiences, the use of a state-owned bank may be subject to corporate governance risk management and credit evaluation concerns.[36] However, since the team has demonstrated that ILBANK is a strong performing partner, these risks are not significant.

Summary of Findings and Recommendations

2. The project complies with OP 10 FIF requirements in general, but there are important risks to mitigate:

(a) A technical review finds that there are risks related to the financial sector (inflationary trends), foreign exchange (with lending in local currency but sources of financing in Euros), and force majeure (natural disaster risk that would overwhelm a single municipal borrower). The final design should find transparent ways to allocate the risks to the actors in the best position to absorb them.

(b) A full-cost interest rate from ILBANK to participating municipality should be in place, covering cost of funds, administrative expenses, minimal loan loss projections (given the built-in repayment system with revenue sharing), and a minimal profit margin. ILBANK should be encouraged to include a grace period (with interest paid but principal delayed initially) to facilitate timely repayment by the municipality and utility.

(c) Documentation of municipal borrowing and repayment would help municipality to move to commercial sources of financing for revenue-generating investments in the future. The project should support ILBANK in setting up a repayment documentation system that creates a credit history for the participating municipality.

(d) In a global sense, state owned development banks can play an important role in addressing market gaps, they might also compete unfairly with commercial banks, crowd out private investment and mismanage public funds, according to a recent report highlighting the lessons from decades of the World Bank's experience in working with state owned development banks in different countries[37]. During project implementation, the task team should monitor these risks carefully and project funds should be used in line with project activities.

3. **Financial sector situation.** While this project might be unaffected by problems in the financial sector, financial statistics demonstrate the risks to lending in general. To scale up disaster risk mitigation efforts through private sector participation, the financial sector situation would be important. There has been a steep rise in provisions with the implementation of the IFRS 9 and the more cautious attitude of the banking sector due to recent fluctuations observed in the financial markets.

4. **Due diligence of retail institution (ILBANK).** The Government has named ILBANK as the sole retail institution, for borrowing and on-lending project funds to qualified municipal governments for a list of projects. ILBANK is already working on Sustainable Cities Program and as specialized lender operates as the dominant player for lending to municipalities and

[36] *National Development Financial Institutions: Trends, Crisis Response Activities, and Lessons Learned*
[37] *National Development Financial Institutions: Trends, Crisis Response Activities, and Lessons Learned*

local authorities. Market share pressure from commercial lenders remains limited if any, due to competitive pricing coming from both ILBANK's not-for-profit business model and quasi-sovereign status. Intergovernmental institutional frameworks and municipal borrowing regulations in Türkiye define control and supervision. ILBANK is under the Ministry of Environment, Urbanization and Climate Change, which plays a role in operational oversight. Public and financial sector supervision authorities oversee banking functions. A full review of ILBANK is found in project files. The due diligence review has detected only two areas in need of strengthening and the project will address them: (a) credit review and (b) risk management policies, specifically related to timely enforcement of loan contracts.

5. **Interest rate on loans to municipalities.** ILBANK follows a pricing policy that is in line with its role in supporting the financing of public goods by municipalities. The basic tenet of the product policy is in line with the mandate to offer investment loans with longer maturities and lower interest rates than the comparable domestic market. However, ILBANK will document the costs and repayment results of the portfolio to provide information for private lenders to appreciate the potential market opportunity in the future. ILBANK typically lends on 5-year to 10-year terms for municipal services related to various projects and facilities that have been included in the national investment program. The longest maturity has gradually extended to 15 years, but the average maturity is still low. ILBANK offers Turkish lira loans from its equity with an interest rate that is determined by taking market conditions into consideration.

6. Municipality risks. ILBANK passes all currency risks to its borrowers. There is no hedging option available due to costs and administrative limitations. These substantial foreign exchange risks borne by the municipalities are somewhat mitigated by the long-term and amortizing repayment profile of foreign currency loans.

7. **M&E.** Based on this FIF assessment, annual, and as needed, assessments will be made of the portfolio quality and profitability of ILBANK.

ANNEX 3: Climate Change Mitigation and Adaptation Benefits

The following table highlights how the different components and sub-components are anticipated to contribute to the World Bank Climate Targets (2021-2025).

Description of Financed Activities	Anticipated Mitigation Benefits	Anticipated Adaptation Benefits
C1. Resilient Reconstruction of Municipal Infrastructure and Emergency response (~EUR 412 million)		
This component will support the restoration and reconstruction of damaged municipal infrastructure, to increase the resilience of municipal infrastructure and increase and to increase response capacity for wildfires and floods. Activities will include restored and enhanced stormwater management; enhanced fire and flood response equipment and infrastructure; and resilient water and wastewater systems and transport (road/bridge networks). The component will cover costs associated with supervision and civil works. *Based on identified needs, it is anticipated that the indicative financing associated with different Component 1 activities is: i) 45 percent for resilient water and wastewater services; ii) 30 percent for emergency response capacity; iii) 15 percent for stormwater systems; and iv) 10 percent for resilient bridges, junctions and roads.*	Improved water and wastewater systems have the potential to reduce energy use. More rapid response to wildfires and a reduction in burnt area will reduce the carbon emissions associated with wildfires Bridges/roads will have dedicated space for pedestrians and cyclists contributing to reduced car usage.	Enhanced capacity of stormwater systems is critical to reduce urban flooding associated with heavy rainfall, as well as improving the quality of water by reducing mixing with waste/sewage water systems. Enhanced municipal emergency and disaster response is critical to protect lives, livelihoods and assets in climate disasters, and with floods and wildfires on the increase, investments in disaster response are critical. Enhancements in the resilience of water and wastewater systems is critical for adaptation to climate change. The designs for bridge strengthening or reconstruction will consider increased river and stream flow associated with the more intense rainfall events (500-year events) that are expected as the climate warms (i.e. Similar or worse events those throughout 2020 and 2021).
C2. Technical Assistance (EUR 5 million)		
Analytical studies, data collection, capacity development of professionals, disaster and climate resilient investment planning,	The activities under this component will build the analytical foundations for further investment in green and resilient growth, , assess the threats from disasters and integration of these threats into zonal and investment plans. The professionals trained will be knowledgeable about innovative technologies to strengthen existing and build new infrastructure for disaster and climate resilience and reduced carbon emissions.	
C4. Contingent Emergency Response Component (EUR 0 million)		

This component would support emergency recovery and reconstruction efforts for future disasters.	Given the higher frequency and impact of climate related disasters in Türkiye (floods, storms, wildfires etc.), it is anticipated that the CERC could be triggered for a climate related disaster, although geophysical disasters would also be eligible. Any reconstruction/restoration investments under the CERC would consider mitigation and adaptation measures, similar to those noted under Component 1.

ANNEX 4: Information on Disaster Affected Municipalities[38]

Province	Disaster Date	District (s)	Damage in (TL)	Type of Disaster
Antalya	17.08.2021	Akseki	132,267	Wildfire
Antalya	17.08.2021	Gündoğmuş	334,577	Wildfire
Antalya	17.08.2021	Manavgat	31,457,505	Wildfire
Antalya	17.08.2021	Alanya	480,434	Wildfire
Artvin	22.07.2021	Kemalpaşa	435,302	Flood
Artvin	22.07.2021	Hopa	4,400,322	Flood
Artvin	22.07.2021	Arhavi	36,607,105	Flood
Artvin	22.07.2021	Borçka	7,574,402	Flood
Artvin	22.07.2021	Murgul	44,108,378	Flood
Bartın	8.11.2021	Merkez ve Ulus İlçesine Bağlı Köyler	111,291,418	Flood
Bingöl	14-15.06.2020	Karlıova	2,779,135	Earthquake
Bingöl	14-15.06.2020	Yedisu	3,811,975	Earthquake
Bingöl	14-15.06.2020	Adaklı	1,199,755	Earthquake
Bİngöl	16.07.2020	Adaklı	30,110	Earthquake
Bİngöl	29.06.2020	Karlıova	15,030	Earthquake
Bİngöl	29.06.2020	Yedisu	25,955	Earthquake
Düzce	6-8.07.2021	Merkez	1,019,367	Flood/Landslide
Düzce	6-8.07.2021	Akçakoca	32,619,521	Flood/Landslide
Düzce	6-8.07.2021	Cumayeri	3,020,796	Flood/Landslide
Düzce	6-8.07.2021	Çilimli	5,621,367	Flood/Landslide
Düzce	6-8.07.2021	Gölyaka	1,293,850	Flood/Landslide
Düzce	6-8.07.2021	Gümüşova	547,252	Flood/Landslide
Düzce	6-8.07.2021	Kaynaşlı	603,387	Flood/Landslide
Düzce	6-8.07.2021	Merkez(Beyköy)	616,585	Flood/Landslide
Düzce	6-8.07.2021	Merkez(Boğaziçi)	1,485,990	Flood/Landslide
Düzce	6-8.07.2021	Yığılca	714,882	Flood/Landslide
Elazığ	24.01.2020	Baskil	30,379	Earthquake
Elazığ	24.01.2020	Akçakiraz	998,552	Earthquake
Elazığ	24.01.2020	Mollakendi	785,884	Earthquake
Elazığ	24.01.2020	Karakoçan	110,911	Earthquake
Elazığ	24.01.2020	Sivrice	2,746,189	Earthquake
Giresun	21-23.08.2020	Bulancak	24,726,951	Flood/Landslide

[38] Data from AFAD

Giresun	21-23.08.2020	Çanakçı	16,662,012	Flood/Landslide
Giresun	21-23.08.2020	Dereli	185,813,008	Flood/Landslide/Rockfall
Giresun	21-23.08.2020	Doğankent	44,594,232	Flood/Landslide
Giresun	21-23.08.2020	Espiye	74,178,207	Flood/Landslide/Rockfall
Giresun	21-23.08.2020	Eynesil	10,320,078	Flood/Landslide
Giresun	21-23.08.2020	Görele	39,781,824	Flood/Landslide/Rockfall
Giresun	21-23.08.2020	Güce	92,916,445	Flood/Landslide/Rockfall
Giresun	21-23.08.2020	Keşap	16,221,312	Flood/Landslide
Giresun	21-23.08.2020	Merkez	68,621,355	Flood/Landslide/Rockfall
Giresun	21-23.08.2020	Piraziz	7,217,048	Flood/Landslide
Giresun	21-23.08.2020	Tirebolu	2,335,362	Flood/Landslide
Giresun	21-23.08.2020	Yağlıdere	129,315,420	Flood/Landslide/Rockfall
Giresun	22.08.2020	Bulancak	3,525,310	Flood/Landslide
İzmir	2.02.2021	Balçova	509,203	Flood
İzmir	2.02.2021	Menderes	63,496	Flood
İzmir	2.02.2021	Karabağlar	98,028	Flood
İzmir	2.02.2021	Seferihisar	1,132,917	Flood
Kastamonu	10-12.08.2021	Abana, Azdavay, Bozkurt, Cide Çatalzeytin, Devrekani, İnebolu, Küre, Merkez, Pınarbaşı, Taşköprü, Şenpazar	511,873,794	Flood
Malatya	24.01.2020	Merkez	3,234,158	Earthquake
Malatya	25.01.2020	Doğanyol	9,454,103	Earthquake
Malatya	26.01.2020	Pütürge	14,365,921	Earthquake
Malatya	27.01.2020	Kale	538,286	Earthquake
Rize	14.07.2021	Ardeşen	32,708,845	Landslide and Flood
Rize	14.07.2021	Çayeli	132,714,295	Landslide and Flood
Rize	14.07.2021	Fındıklı	14,679,000	Landslide and Flood
Rize	14.07.2021	Güneysu	79,278,292	Landslide and Flood
Rize	14.07.2021	Kalkandere	17,900,145	Landslide and Flood
Rize	14.07.2021	merkez	50,088,574	Landslide and Flood
Rize	14.07.2021	Çamlıhemşin	1,450,000	Landslide and Flood
Rize	14.07.2021	Derepazarı	541,435	Landslide and Flood
Rize	14.07.2021	Hemşin	565,000	Landslide and Flood
Rize	14.07.2021	İkizdere	4,488,874	Landslide and Flood
Rize	14.07.2021	İyidere	376,913	Landslide and Flood
Rize	14.07.2021	Pazar	3,637,333	Landslide and Flood
Sinop	16.06.2021	Dikmen	149,361	Flood
Sinop	16.06.2021	Erfelek	104,535	Flood
Sinop	14.07.2021	Merkez	2,787,906	Flood

Sinop	14.07.2021	Türkeli	276,374,433	Flood
Sinop	14.07.2021	Ayancık	753,032,027	Flood
Sinop	14.07.2021	Erfelek	10,789,389	Flood
Sinop	10-11.08.2021	Merkez, Boyabat, Ayancık, Türkeli, Erfelek, Gerze, Saraydüzü	1,213,642,928	Flood

ANNEX 5: Sub-Project Eligibility and Prioritization Approach for Component 1

1. **The following Project Cycle Process and Sub-project eligibility criteria has been developed for the Component 1, based on the approach under the Sustainable Cities Projects (SCP).** The process will be further elaborated in the Project Operations Manual. Based damaged sustained in the 2020 and 2021 disasters, eligible Project municipalities would be (i) the municipalities affected by earthquakes in Aegean and Eastern Anatolia regions in 2020, (ii) the Black Sea and Marmara Regions in 2020 and 2021, and (iii) the municipalities affected by wildfires in Mediterranean, Marmara, Central Anatolia and Aegean Regions in July and August 2021, all determined based on information from the Ministry of Interior's Disaster and Emergency Management Presidency and approved by the Borrower and Bank as eligible Project Municipalities for the purposes of the Project.

2. All selections of Project Municipalities would need to be conditioned upon: (a) the eligibility of the subprojects proposed by the identified municipalities and approved by IlBANK and the Bank (which includes the municipalities/utilities meeting credit worthiness requirements); and (b) the acceptance by the identified municipalities of the terms and conditions of the Sub-loans for the approved Subprojects.

3. Pipeline. ILBANK has been in discussion with municipalities affected by the earthquakes, floods and wildfires of 2020 and 2021 and based on these discussions has prepared a preliminary pipeline of subprojects that are aimed at i) restoration or reconstruction of damaged municipal infrastructure; or ii) are subprojects aimed at building municipal resilience to disaster events through enhanced disaster/emergency response or reduction in disaster risks, such as through expanded stormwater system capacity. Based on these discussions, a tentative pipeline of 43 subprojects with a combined budget of EUR 410 million.

4. Eligibility. The following eligibility criteria have been agreed.

- **a.** Municipalities will need to meet minimum creditworthiness, according to ILBANK's own assessment.
- **b.** Eligible subprojects will need to either be related to:
  - i. rehabilitation/strengthening, demolition/reconstruction of municipal infrastructure damaged by earthquakes, wildfires or floods in the period 2020 to 2021;
  - ii. increasing municipal disaster/emergency response capacity and resilience through acquisition of vehicles, equipment etc., for fire services; and/or
  - iii. municipal investments demonstrated to reduce disaster and climate risk and ensure resiliency of infrastructure and improve the emergency response capacity of the municipality, reconstruction and strengthening of high-risk municipal infrastructure, extension or separation of stormwater infrastructure to reduce flooding, and investments to ensure transport segments are more resilient to flood.
- **c.** Ineligible subprojects are those:
  - i. Unable to meet the requirements set forth in the ESCP;
  - ii. Have high-risk environment or social impacts;
  - iii. Are located near to Transboundary Waterways that will trigger OP 7.50;
  - iv. That will trigger Safety of Dams OP 4.37;

v. That will have impact on any Critical Natural Habitats or Cultural Heritage areas;
vi. Administrative services and facilities of political parties, trade unions, etc.;
vii. Religious infrastructure facilities and services; and
viii. Investments in facilities with commercial characters (café, restaurant, etc.) or for national defense or justice (courthouses, prisons etc.).

5. **Prioritization.** Sub-projects that contribute to, or meet, the following characteristics will be prioritized:

a. Climate mitigation and adaptation, through reduced energy use and carbon emissions, increased resilience of the built environment and society to natural disasters and climate change;
b. Adopt innovative and integrated approaches to building resilience, such as combined green and grey measures to reduce urban flooding and urban heat impacts, alongside increased amenity (such as the use of complementary nature-based solutions);
c. Create demonstrative impacts for increased inclusion, such as improving universal access, women's participation in employment etc.; and
d. Readiness for implementation, such as engineering assessments of sustained damage and recommended solutions, feasibility and design studies, environment and social assessments etc.

6. **Subproject preparation.** ILBANK will guide the potential project municipalities to prepare the sub-project documents, identify the institutional and implementation arrangements and timeframe for preparation. Subprojects are required to be financially, economically, and technically viable, and meet all environment and social requirements. The reports and studies of the proposed subprojects will be reviewed and approved by ILBANK in terms of technical, environmental, social, financial, and economic perspective in accordance with the World Bank's environmental and social framework. When sub-borrowers do not have full-fledged projects meeting eligibility criteria, ILBANK will support the municipalities carry out necessary project preparation studies.

7. **Feasibility.** Feasibility studies should include technical, social (including gender gaps, where relevant), financial, economic and institutional analysis. Technical feasibility and financial feasibility guidelines will be outlined in the Project Operational Manual. Environmental and social documents (e.g. ESIAs, EMPs) according to the World Bank requirements will also be prepared under the guidance of ILBANK.

8. **Appraisal of subprojects.** ILBANK is responsible for appraising the feasibility studies and subprojects, ensuring they are economically and financially viable. The subprojects will be submitted to the World Bank for review and approval on a rolling basis. ILBANK's assessment will include: (a) technical assessment; (b) economic/financial analysis; (c) institutional capacity and implementation arrangements; (d) financial management assessment; (e) procurement assessment; (f) social and environmental assessment; (g) risk assessment; and (h) readiness for implementation. Prior to commencement of any bidding process and civil works, ILBANK will submit a subproject feasibility study (including documentation of the damage sustained in relation to proposed upgrading, reconstruction, rehabilitation, or repair) to the World Bank together with approved and disclosed environment and social documentation and PPSD and procurement plan. The feasibility studies will follow the template/guideline prepared by Strategy and Budget Office.

9. **Sub-loan Agreement signing.** Once the relevant subproject(s) is approved and loan agreement is signed, ILBANK will sign sub-loan agreements.

10. **Project Monitoring:** ILBANK will submit progress reports with the results of subproject implementation in accordance with the reporting frequency identified in the loan agreement.