

## Environmental and Social Data Sheet

### Overview

Project Name:	Isbank Urban Transformation
Project Number:	2012-0620
Country:	Turkey
Project Description:	The proposed framework loan would be dedicated to earthquake safety improvements in residential buildings as defined in the Turkish Law on Transformation of Areas under Disaster Risk, and energy efficiency projects aimed at improving the energy and environmental performance of residential buildings.
EIA required:	If located within EU, the subprojects would fall as Urban Development under Annex II of the EU EIA Directive 2011/92/EU. It is the competent authority that decides whether an EIA is required or not. Should any individual subproject require an EIA, the Promoter will be required to deliver the NTS of EIAs to the Bank, where applicable, before the Bank funds are allocated.
Project included in Carbon Footprint Exercise <sup>1</sup> :	no

### Summary of Environmental and Social Assessment, including key issues and overall conclusion and recommendation

The project will comprise the financing of earthquake damage mitigation subprojects falling under the 2012 Law on “Transformation of areas under disaster risk” (“the Law”) with the aim to target the replacement of risk-bearing residential buildings with earthquake-proof housing and improvements. Permanent impacts will include reconstruction or improvements of estimated 5,000-10,000 individual housing units across the country and the strengthening of public safety. The individual subprojects are not likely to have any significant environmental impact that cannot be mitigated by the good construction practice. All buildings to be reconstructed, strengthened or expanded will comply with technical specifications required in the Earthquake Regulation. Main social project impacts during construction phase will include temporary resettlement of residents (up to maximum of 18 months) - among which renters, informal occupiers, and workers and employees of businesses situated in risky buildings have been identified as potentially vulnerable groups.

Since the (re)construction and renovation works will take place in urban areas, and usually on the sites of existing buildings it has been deemed that the residual environmental impact, once the works are completed will be small and limited. Also within the EU, individual houses in urban areas do not normally require EIA. It is not excluded that larger housing complexes may require EIA. The Turkish EIA law requires a screening of schemes that contains more than 200 housing units. Should any such scheme be financed by the EIB, the Promoter will be required to deliver the NTS of the EIAs to the Bank, where applicable, before the Bank funds are allocated.

<sup>1</sup> Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO<sub>2</sub>e/year absolute (gross) or 20,000 tons CO<sub>2</sub>e/year relative (net) – both increases and savings.

The most considerable environmental impact will occur during the construction/implementation period, due to noise, vibration, dust emissions, increased traffic and the generation of construction waste. Once the construction works are brought to completion, it is expected that the residual net impact mainly will be positive. Risky buildings as identified under the Law will be replaced by new or reinforced constructions which usually have a higher capacity and consume less energy. All new buildings will be required to at least meet the relevant national targets for energy efficiency which are below EU standards (EPBD 2002 and its 2010 recast). However, it is expected that there will be several energy savings in the new buildings as a result of modern insulation of walls and roofs, the use of double-glazed windows and other energy efficiency measures.

Overall, it is estimated that about a third of the existing housing stock (6.5 million housing units) are under the collapse risk in case of natural disasters especially earthquakes. This EIB operation supporting the implementation of the new Law is therefore expected to have overall positive impacts and contribute to strengthening the resilience of the new or strengthened premises to earthquake; reducing injuries and casualties, and thus the negative social consequences of such an event. Through significant interest subsidies, allowances and easement of transaction fees, the Government will provide support to citizens to access affordable financing for reconstruction of their homes.

However, the adoption of the Law has provoked some criticism by different stakeholders on the grounds that parts of it breach constitutional rights. There are concerns that the Law will allow land and building speculation and gentrification in risky areas. The risk assessment of buildings outside of risky areas can in theory be initiated either by one or more of the residents or authorities, and once a building is determined as a property at risk, the building owners can either voluntarily vacate and demolish their risky buildings or the officials can evict the property owners and complete the demolition. Although property owners can challenge all decisions and transactions under the Law before the relevant administrative courts, it is not possible to obtain a stay of execution decision. Lastly, there is a pending lawsuit before the Constitutional Court with respect to non-voluntary demolition, resettlement of building owners and preventing stays of execution decisions.

Recognizing the need to strengthen the country's resilience to natural disasters while seeking to avoid any possible adverse impacts of the Law implementation, EIB will fund eligible sub-projects for which the process has been initiated on a voluntary basis by all rights holders in the buildings (in line with the existing Turkish Condominium Ownership Law no 634). By applying this focused approach, the subprojects supported by EIB financing will involve voluntary, temporary resettlement of about 5,000-10,000 individual households during the construction phase of individual buildings. The project's overall residual impacts are expected to be positive; however, some possible adverse residual social impacts are possible for: (i) renters, (ii) workers and employees of businesses that may be situated in the buildings that would be reconstructed, and (iii) informal occupiers. The Law foresees different types of assistance for these categories, the provision of which will be monitored and followed up on by the promoter.

ISBANK has limited capacity to manage environmental and social issues; however, as the process is driven by the Ministry of Environment, the institutional framework is deemed to be satisfactory to the Bank. Nevertheless, an appropriate Environmental and Social Management Plan will be prepared with the help of a specialist consultant that will include the overview of the measures envisaged by the Government to prevent, mitigate, and compensate adverse impacts and the development of an appropriate system to monitor the implementation of these measures. The implementation of the plan will be reported upon by the promoter and monitored by the Bank. Lastly, the intermediary bank will be required to set up an adequate Project Management Team with appropriate E&S expertise which will be responsible for the implementation of ESMP. Adequate evidence about the unanimity of decision by all rights holders will be an eligibility criterion for selection of subprojects, whereas development of an appropriate ESMP and set-up of the PMT will be contractual conditions.

In conclusion, the project environmental and social aspects are considered acceptable for Bank financing, with above-mentioned proposed contractual conditions based on the described focused approach.

## **Environmental and Social Assessment**

### **Environmental Assessment**

The Turkish EIA law was initially established on 7<sup>th</sup> of February, 1993 (Official Gazette No: 21489). The present EIA law is based on the 2008 revision. The law have been revised for several reasons, the main reason being the transposal of the EU EIA Directive into Turkish legislation. The construction of houses in urban areas is classified as Urban Development that falls under Annex II of the EU EIA Directive. The Turkish law specifies that Urban Developments with more than 200 housing units are subject to screening by the Competent Authority. Such large developments are not expected under this loan, however, should such scheme be included under this loan and screened in by the Competent Authority, the Intermediary will be required to send the NTS of the EIA to the EIB, before such a scheme can be allocated by the EIB.

### **Social Assessment**

EIB funding will focus on funding eligible sub-projects for demolition and reconstruction or strengthening of individual risky buildings across the country, for which the process has been initiated on a fully voluntary basis by all rights holders in the buildings. The unanimous consent of all rights holders living in a building would be required at two instances in the process: (i) when requesting the risk assessment report at the very beginning; and (ii) when requesting financing from İşbank for reconstruction or strengthening of the buildings. This requirement is in line with the Turkish Condominium Ownership Law no 634.

The loans to be offered to property owners by the İşbank will be supported by interest benefits from the Government for the risk assessment, demolition and reconstruction processes. Three types of interest benefits are foreseen: property strengthening, residence reconstruction and business reconstruction. The vulnerable categories of population with lower incomes, who will not be able to afford a loan from private banks, will be offered a loan from the Ministry's Urban Transformation Fund.

According to GYODER's (The Association of Real Estate Investment Companies of Turkey) research and data from the Ministry of Development and TurkStat, renters occupy 24 percent of the houses throughout Turkey, and in the next 10 years a total of 7 million houses will be needed. Given the voluntary nature of resettlement, residual impacts due to temporary resettlement of up to 18 months may be felt by the following three categories of affected persons: (i) renters, (ii) workers and employees of businesses that may be situated in the buildings that would be reconstructed, and (iii) informal occupiers. However, the Law envisages various types of assistance for these different categories of population affected by its implementation.

Affected persons (building owners, the renters, the business owners, the use rights holders and illegal occupants) can choose to benefit from either the interest rate support or the rental benefit scheme. Rental benefits will be determined depending on the location of the property. The Ministry or the relevant administrative authority can decide to make an upfront payment equivalent to 5 months of rental benefit to cover the transportation and moving costs of the affected parties. Furthermore, should there be excess residences following the completion of the reconstruction in a certain risk area or of a property at risk, these excess residences can also be sold to the renters upon their request. In such case, the renters can also benefit from the loans to be provided by the Ministry from the Fund or from interest benefits of private banks. In practice, the illegal occupants are currently considered and treated as renters.

Overall, the existing legislative framework foresees acceptable measures for mitigation of possible adverse social impacts. Given however that the actual impacts will largely depend on the implementation of these measures, the intermediary bank will be required to develop an appropriate Environmental and Social Management Plan (ESMP) that will include overview of the measures envisaged by the Government to prevent, mitigate, and compensate adverse impacts, development of an appropriate monitoring system to track implementation and follow-up of these measures, establishment of a grievance redress/feedback mechanism (call center), and an information and marketing plan for the project. The purpose of the ESMP will be to: (i) outline roles and responsibilities in terms of the management of any E&S impacts; (ii) define the means to follow up on and verify implementation of the impact management measures; (iii) ensures coordination between İşbank, the Ministry and other relevant authorities; and (iv) facilitate communication between İşbank and citizens/stakeholders. The implementation of the plan will be reported upon by the promoter and monitored by the Bank. Lastly, the intermediary bank will be required to set up an adequate Project Management Team with appropriate E&S expertise which will be responsible for the implementation of ESMP.

Adequate evidence about the unanimity of decision by all rights holders will be an eligibility criterion for selection of subprojects, whereas development of an appropriate ESMP and set-up of the PMT will be contractual conditions. .

### **Public Consultation and Stakeholder Engagement**

The process of formulation and adoption of the Law on “Transformation of areas under disaster risk” suffered from a lack of consultation and participation of potentially affected communities and civil society organizations. Simultaneous consultation processes during the drafting period involved institutional authorities and media. A Specialized Commission was established within the Grand National Assembly of the Republic of Turkey (TBMM). The reports of the Specialized Commission and the minutes of TBMM reveal that both the Government and the opposition recognized the need for such a Law. With the implementation of the Law, the government has launched a countrywide information campaign through national and local media, public meetings and municipal information centres. The Ministry has also set up a free toll hotline (180) with professional staff to answer any queries related from citizens to the Law implementation as well as recording and processing of grievances. Lastly, the Ministry will launch a web portal in order to streamline the documentation process of urban transformation.

In addition, İşbank has 25 regional office and 23 Regional SME offices. A special urban transformation line is added to İşbank Call Centre which 40 trained employees to inform citizens about the Urban Transformation project. An information and marketing plan for the project will be prepared as part of the ESMP.