



**REPUBLIC OF TURKEY  
MINISTRY OF ENVIRONMENT,  
URBANIZATION AND CLIMATE CHANGE**



**ILBANK**  
CONSTRUCTIVE POWER OF TURKEY

# **ILBANK Environmental and Social (E&S) Policy**

for Projects Financed by International  
Financial Institutions

**November 2023**



## Acronyms and Abbreviations

AFD	Agence Française de Développement
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESCP	Environmental and Social Commitment Plan
ESMS	Environmental and Social Management System
FI	Financial Intermediary
GBV	Gender-based Violence
HR	Human Resources
IFC	International Finance Corporation
IFIs	International Financial Institutions
ILBANK	İller Bankası Anonim Şirketi
ILO	International Labour Organization
JICA	Japan International Cooperation Agency
PIU	Project Implementation Unit
RDs	Regional Directorates
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
UN	United Nations
WB	World Bank

# ILBANK Environmental and Social Policy for Projects Financed by International Financial Institutions

## Introduction

İller Bankası Anonim Şirketi (“**ILBANK**”) is a national state-owned development and investment bank specialized in financing of infrastructure investments of and capacity building for municipalities and municipal utilities in Türkiye. ILBANK is an incorporation affiliated with the Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye. It was established under and subject to Law No. 6107 (Law on ILBANK) and Law No. 5411 (Banking Law).

Acting as a **financial intermediary (FI)** for projects financed by **International Financial Institutions (IFIs)**, ILBANK, as the **Borrower**, executes **loan agreements** with the IFIs for financing of related **projects** and provides **subproject-based** financing to municipalities/municipal utilities (**sub-borrowers**) through **sub-loan agreements**. Within ILBANK, the **Department of International Relations** is authorized and responsible for managing the financial, technical, procurement, environmental, and social management of the projects financed by IFIs.

This **Environmental and Social (E&S<sup>1</sup>) Policy (“Policy”)** is a key element of ILBANK’s **Environmental and Social Management System (ESMS<sup>2</sup>)**, setting forth ILBANK’s commitment to incorporation of E&S risks and impacts assessment and management into projects financed by the IFIs to ensure compliance of respective subprojects with the Reference Standards described in this document and undertake the financing operations in line with the **ESMS Policy Statement and ILBANK’s ESMS** approved by ILBANK’s Board of Directors as part of this Policy.

## Mission and Vision Statement

The **mission** of ILBANK is to contribute to sustainable urban development by developing and implementing projects at international standards through provision of loans, consultancy services, and technical support for municipalities and municipal utilities in order to meet their municipal service needs.

ILBANK’s **vision** is to become a renowned international development and investment bank in the region.

## Scope of the Policy

This **E&S Policy** is applicable to all projects and subprojects of ILBANK financed by IFIs and shall be applied to the borrowers/sub-borrowers through loan/sub-loan agreements to ensure **responsible lending and robust and sustainable management** of E&S risks and impacts in line with the Reference Standards throughout the loan duration of the respective projects/subprojects.

## Reference Standards

ILBANK recognizes the paramount importance of having a robust E&S Policy and E&S risk management system in place to ensure alignment with the requirements of the national legislation, provisions of international agreements and conventions to which Türkiye is a party of, and applicable E&S standards of the lending **IFIs** including, but not limited to **World Bank (WB)**, **Japan International Cooperation Agency (JICA)** and **Agence Française de Développement (AFD)**, which are referred to within this Policy as “**Reference Standards**”.

<sup>1</sup> The acronym E&S refers to all aspects of “sustainability” as encompassed by the International Finance Corporation (IFC) Performance Standards, i.e. environment, social, health and safety, human rights and labor aspects.

<sup>2</sup> Architecture of the elements constituting the ILBANK ESMS is presented appended to this E&S Policy.

## Guiding Principles

The **E&S Policy** of ILBANK is founded on the following **Guiding Principles**:

### Sustainable Urban Development, Resource Efficiency and Pollution Prevention

ILBANK pioneers sustainable urban development by: promoting the environmental, social and economic sustainability of cities through subprojects that help minimize unaccounted water losses in the water transmission networks; decreasing the discharge of untreated wastewater into the environment; reducing electricity consumption through energy efficiency improvements; improving affordability of clean energy by supporting renewable energy utilization; lowering traffic congestion, air pollution and carbon emissions by improving public transport; and increasing options for pedestrian mobility, waste avoidance and recycling practices in subproject implementation to contribute to a transition to a circular economy.

### Climate Mitigation, Adaptation and Resilience

ILBANK is committed to enhancing **resilience to climate and disaster risks and building capacity** to manage these impacts in Türkiye through the subprojects it finances.

To this end, ILBANK strives to align financing operations with Paris Agreement goals and the country's net zero pledge towards carbon neutrality by 2053. This would be achieved through provision of finance to sub-borrowers for implementation of their subprojects embedding climate change mitigation and adaptation strategies in line with the Nationally Determined Contributions of Türkiye. ILBANK also supports resilient disaster reconstruction and enhanced response capacity in municipalities that are exposed to the significant adverse impacts of earthquakes, floods or wildfires.

### Human Rights

ILBANK is committed to putting in place and maintaining mechanisms in all subprojects related operations to ensure that **human rights are fully protected and respected** by all parties, **human right risks and abuses are prevented**, and immediate actions are taken to effectively **remedy any adverse human rights impacts** of financed activities.

ILBANK requires the E&S specialists at the General Directorate and Regional Directorates, sub-borrower municipalities/municipal utilities, contractors and supervision consultants to strictly comply with human-rights related national legislation of Türkiye and adhere to the International Bill of Human Rights and human rights treaties ratified by Türkiye as well as safeguards including the United Nations (UN) Guiding Principles on Business and Human Rights.

### Labor Rights and Working Conditions

ILBANK endorses implementation of its **Human Resource (HR) Policy** to ensure strict compliance of project and subproject operations with the requirements of the national legislation on equal treatment, equal opportunity and non-discrimination, child labor, forced labor, worker's organizations, and the International Labour Organization (ILO) conventions ratified by Türkiye, including the eight fundamental conventions.

ILBANK adopts the **vision of zero accidents** to ensure good occupational health and safety culture and practices in all project and subproject operations and promote accommodation conditions provided to workers at international standards and good international practices.

ILBANK undertakes to operate a **grievance and feedback mechanism** that shall be dedicated to and accessed by all direct and contracted employees engaged in subprojects of ILBANK financed by IFIs.

### Community Health, Safety and Well-being

ILBANK strives to increase and improve communities' access to safely managed and clean water supply, wastewater and solid waste management infrastructure while ensuring minimization of inequalities for resident and host communities, vulnerable/disadvantaged individuals/groups in accessing and benefiting from the services provided through the subprojects financed by ILBANK.

## Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

ILBANK is committed to avoid or where avoidance is not possible to minimize involuntary resettlement and restrictions on land use. Where involuntary resettlement is unavoidable, ILBANK requires sub-borrowers to develop and implement appropriate measures at the subproject level to mitigate adverse impacts of physical and/or economic displacement in line with the national legislation and IFI standards. ILBANK will ensure that **forced evictions** of affected persons **will not be resorted in subprojects**.

## Biodiversity Conservation and Sustainable Management of Living Natural Resources

ILBANK recognizes the importance of protecting, preserving and restoring biodiversity and sustainably managing living natural resources, and legally protected and internationally recognized areas within the context of sustainable development. At the subproject level, ILBANK requires sub-borrowers and contractors to take the required measures and actions in line with the national legislation and IFI standards to ensure sustaining core ecological functions of habitats, valued biodiversity components and ecosystem services.

## Cultural Heritage

ILBANK commits to **protect tangible and intangible cultural heritage** from the adverse impacts of subproject activities in consultation with related stakeholders in line with the Reference Standards.

## Gender Equality

ILBANK promotes **gender equality and zero tolerance to gender-based violence (GBV) and sexual exploitation and abuse/sexual harassment (SEA/SH)** in its operations and at any stage or aspect of the subprojects it finances, whilst seeking to stimulate investments that enables equal access to the benefits, services and opportunities offered by the financed activities.

## Vulnerable / Disadvantaged<sup>3</sup> Individuals / Groups

ILBANK is committed to ensure to the extent possible that differentiated measures are adapted in subprojects so that adverse impacts do not fall disproportionately on the vulnerable or disadvantaged groups/individuals, and they are not in a disadvantaged position in sharing development benefits and opportunities resulting from the subprojects.

## Stakeholder Engagement and Information Disclosure

ILBANK acknowledges that **commencing stakeholder engagement early in the subproject design phase** is key to ensuring incorporation of stakeholder feedback and concerns into decision-making and considers **sustaining meaningful, transparent, and well-structured engagement on an ongoing basis** as an indispensable process that assures inclusive and successful project development and implementation.

ILBANK commits to **maintaining an effective communications mechanism** for engaging and consulting with external stakeholders including related governmental authorities, affected communities that may include vulnerable/disadvantaged individuals/groups, children, civil society organizations, and other relevant and interested internal and external parties, based on disclosure of subproject specific information in appropriate context and manner.

## Grievance and Feedback Management

ILBANK has a **Grievance and Feedback Mechanism** in place, which is designed as a **fair, transparent, accessible, responsive and gender-inclusive system** that allows external stakeholders as well as direct and contracted employees of IFI financed subprojects to convey their complaints, concerns, and feedback to related subproject parties and ILBANK for resolution or use the right to appeal as necessary when resolution is not satisfactory.

ILBANK assures that **confidentiality** is duly maintained in collecting, reviewing, and handling/resolving the complaints, concerns and feedback received around any of the subproject related aspects that may include **gender-sensitive subjects** which are investigated and managed through tailored mechanisms bringing in required skills and expertise.

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<sup>3</sup> Vulnerable or disadvantaged groups/individuals refer to those who may be more likely to be adversely affected by the subproject impacts and/or more limited than others in their ability to take advantage of a subproject's benefits.

## ILBANK ESMS Policy Statement

ILBANK commits to incorporating E&S considerations into its municipal lending activities. ILBANK will ensure all projects financed by IFIs are subject to appraisal and finance (investment) decision-making processes, pursuant to well-established **appraisal procedures** which includes **E&S screening, E&S reviews, E&S risk classification, E&S Due Diligence risk and impact assessment, monitoring and supervision and overall management of E&S risks** as set forth in ILBANK's ESMS. ILBANK will ensure the ESMS is implemented through well-structured implementation mechanisms and compliance of financed activities with the Reference Standards and good international E&S practices.

In line with this Policy Statement, ILBANK is committed to the following key operational steps of its ESMS in all projects financed by IFIs as described below:

- Screening of all projects/ subprojects against ILBANK's **Exclusion List**<sup>4</sup> and any exclusions in the legal agreements.
- **Conducting E&S risk categorization**<sup>5</sup> of subprojects by ILBANK in line with the nature and significance of potential E&S risks and impacts.
- Ensuring that **E&S risk identification and assessment** is undertaken, and necessary E&S documentation is prepared at the subproject level by qualified and experienced specialists commissioned by ILBANK and/or the sub-borrowers in line with Reference Standards (consisting of the national legislation and E&S requirements of the WB and other applicable IFIs as described under this Policy).
- Ensuring that **E&S Due Diligence** of the subprojects is carried out based on the review of related E&S documentation, and project site visits to ensure that **informed risk-based appraisal and decision-making process** is undertaken prior to execution of subproject financing decisions by ILBANK Board of Directors.
- Ensuring preparation of **E&S Commitment Plan (ESCP) / E&S Action Plan (ESAP)**<sup>6</sup> at the subproject level based on the outcomes of the E&S Due Diligence to identify measures and actions required to be fulfilled by subprojects over a specified timeframe to achieve management of E&S risks and management of subprojects compliant with the Reference Standards.
- **Obtaining clearance from the WB and/or other IFIs** based on the E&S risk categorization of the subprojects including review and approval of the key E&S documentation.
- Ensuring that **E&S Covenants** outlining undertakings for subproject E&S implementation are integrated into the sub-loan agreements executed between ILBANK and the sub-borrowers and that these are further cascaded down to contractors and sub-contractors through legal agreements.
- Ensuring that **E&S Monitoring and Review** is carried out periodically at the subproject level internally by sub-borrowers and their contractors, and externally by ILBANK, and that any non-conformities are identified and documented based on the outcome of E&S monitoring and corrective actions are planned and implemented by parties responsible for rectification (Frequency of construction and operation phase monitoring is identified within the ESCP or ESAP of the subproject).
- **Regularly reporting E&S performance** of subprojects to the senior executive management representatives of ILBANK and to respective IFI(s).
- Reviewing and documenting E&S implications of any **significant changes** during the subproject implementation and disclosure of information to relevant stakeholders in appropriate context and ensuring update of subproject specific E&S documents as necessary to include supplementary mitigation measures and/or actions required to address additional risks and impacts for sustaining compliance of activities with Reference Standards.
- Making available adequate resources, competency and capacity for effective implementation of this Policy and ESMS at all stages of financing credit cycle and maintaining strong **E&S Governance Structure** steered by the Department of International Relations. ILBANK is committed to employing competent E&S (including OHS) risk management personnel, within the IFI credit risk unit with clearly defined roles and responsibilities for the implementation of the ILBANK ESMS and continuous capacity building of ILBANK's E&S personnel.
- Requiring sub-borrowers to maintain adequate E&S risk management system and E&S governance structure at the sub-project level by establishment of the Project Implementation Unit (PIU).

<sup>4</sup> ILBANK Exclusion List is aligned with those of the IFIs.

<sup>5</sup> ILBANK discloses E&S documentation relating to the E&S risks and impacts of High Risk, Substantial Risk and Moderate Risk projects prior to Project Appraisal.

<sup>6</sup> ESAP / ESAP is part of the sub-loan agreements of the sub-borrowers.

## Policy Approval and Review

**This E&S Policy is approved by ILBANK's Board of Directors and enters into force on the date of approval.** It will be communicated to ILBANK staff members (including RDs), sub-borrowers, contractors, and other external stakeholders associated with and/or interested in subproject operations through ILBANK's website.

**This E&S Policy shall be reviewed by ILBANK annually and updated as necessary** for realignment with substantial changes in the national legislative framework, applicable international E&S standards, risk profile of ILBANK's subproject portfolio and evolving targets and commitments towards sustainable development adopted at the national and international levels. Any change to the E&S Policy shall be subject to approval by ILBANK Board of Directors.

The **Environmental and Social Management System (ESMS)** of ILBANK shall be effective on **24 December 2023**.

Recep TÜRK  
General Director

Eyyüp KARAHAN  
Chairman of the Board

**9 Kasım 2023**

## ESMS Manual

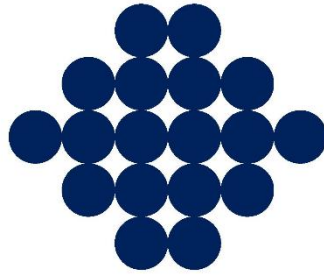
<b>Chapter 1</b>	Introduction
<b>Chapter 2</b>	E&S Policy
<b>Chapter 3</b>	E&S Plans and Procedures
<b>Chapter 4</b>	E&S Risk Management
<b>Chapter 5</b>	Organizational Capacity and Competency <i>(incl. ESMS Training and Capacity Building)</i>
<b>Chapter 6</b>	External Communications
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<b>Chapter 8</b>	ESMS Review and Update

### Attachments

Attachment A	ILBANK E&S Screening and Risk Classification Procedure <i>(incl. ILBANK Exclusion List)</i>
Attachment B	ILBANK E&S Due Diligence Procedure
Attachment C	ILBANK E&S Supervision, Monitoring and Reporting Procedure
Attachment D	ILBANK ESMS Training Procedure
Attachment E	ILBANK Stakeholder Engagement Plan (SEP)
Attachment F	ILBANK Grievance Mechanism
Attachment G	ILBANK Sub-borrower and Contractor Management Plan
Attachment H	ILBANK Management of Change Procedure



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