

Japanese ODA Loan

Ex-Ante Evaluation(for Japanese ODA Loan)

Europe Division, Middle East and Europe Department

Japan International Cooperation Agency

1. Name of the Project

Country: The Republic of Turkey (Turkey)

Project: Local Authorities Environmental Improvement Project

Loan Agreement: August 20, 2021

2. Background and Necessity of the Project

(1) Current State and Issues of Influx of the Syrians and the Priority of the Project in Turkey

Since the beginning of the crisis in Syria in March 2011, the Republic of Turkey (hereinafter referred to as “Turkey”) hosts a large number of Syrians who are under temporary protection in Turkey (hereinafter referred to as “the Syrians”) as the world’s largest host country for the Syrians. According to the Directorate General of Migration Management of the Ministry of Interior, the number of registered Syrians has reached approximately 3.67 million as of May 2021, and roughly 1.5% of them reside in seven government-administered camps for the Syrians in five provinces of the South-east Turkey. The rest, at more than 3.60 million Syrians, are scattered throughout Turkey outside the camps. With no end in sight to the conflict in Syria and the increase in the number and the duration of stay of the Syrians, there is a tendency of the Syrians to settle in urban cities all over Turkey seeking for job opportunities. However, in the wake of significant depreciation of its currency in August 2018, the economic stagnation and the increased unemployment rate led to the growing frustration towards the Syrians in some host communities of Turkey, which has become one of the potential factors of social unrest. Against this background, in terms of ensuring social stability, it has become increasingly important to improve the living conditions in light of needs of both the Syrians and host communities.

To respond to the influx of the Syrians, the Government of Turkey announced the “Temporary Protection Regime” in October 2011, which legislates a range of rights, including indefinite stay and the access to the labor market, free health and education services (After that, “Law on Foreigners and International

Protection” was established in April 2013). The increase in the number and the duration of stay of the Syrians has also led to greater needs for development of social infrastructure such as water supply, wastewater and solid waste management. However, the local authorities need to bear these costs from their independent revenue sources, since the budget allocated from the central government is calculated based on the local demographics excluding the Syrians. Furthermore, it is concerned that the stagnant economy and tax revenue triggered by COVID-19 pandemic has given financial strains to the local authorities, thereby making it more challenging to secure enough funds for social infrastructure development.

In the “11th National Development Plan (2019-2023),” the Government of Turkey puts a priority in creating livable cities and sustainable environment and aims to facilitate social infrastructure development of water supply, wastewater and solid waste management. Since 2015, following the unexpected massive influx of the Syrians to Turkey, the preceding Japanese ODA Loan “Local Authorities Infrastructure Improvement Project (hereinafter referred to as TK-P21),” which was signed in 2015 (loan amount: 45 billion JPY) has supported metropolitan municipalities, municipalities, and water utilities (hereinafter referred to as “Local Authorities”) in South-east Turkey to develop these social infrastructure through Ilker Bank (hereinafter referred to as “ILBANK”). In view of the recent tendency of the Syrians scattered nationwide, “Local Authorities Environmental Improvement Project (hereinafter referred to as “the Project”)” is to provide long-term finance to social infrastructure projects in Local Authorities affected by influx of the Syrians. The Project is in consistency with the National Development Plan of Turkey, and meets with the policy priority of the support to the Syrians.

(2) Japan’s and JICA’s Cooperation Policy and Operations in the Issues of Influx of the Syrians and Social Infrastructure Development of Local Authorities in Turkey

The JICA Country Analysis Paper (March 2015) for Turkey analyses “Support for continuous economic development”, including support for local authorities receiving the Syrians and improvement of urban environments, as being a priority area. Likewise, in the Country Assistance Policy for Turkey (September 2018), “Support for measures for the Syrians” and “Support for building strong social infrastructure to sustain the economy” are established as priority areas, and this Project is consistent with these analyses and policies.

In the G7 Summit in 2016, the Government of Japan pledged to assist regional peace and stability in the Middle East. In September of the same year, it also committed to making efforts to provide humanitarian and self-reliance assistance to refugees and migrants, as well as assistance to host countries and communities.

The Project supports to reduce financial and social burdens of host communities, which is clearly in line with “New York Declaration for Refugees and Migrants (September 2016)” and “Global Compact on Refugees (January 2018)” adopted by the United Nations. The significance of the Project is considered high in the international community.

This Project is also expected to contribute to the following SDGs: Goal 6 (Clean water and sanitation), Goal 10 (Reduced inequalities), Goal 11 (Sustainable cities and communities) and Goal 16 (Peace, justice and strong institutions).

(3) Other Donors’ Activities

Based on its “Joint Action Plan with Turkey” (November 2015), the European Union (hereinafter referred to as “the EU”) has provided grant assistance of 6 billion Euro (EU Facility for Refugees in Turkey), supporting not only the main sectors of education and health for the Syrians, but also water supply, wastewater and solid waste management, but the amount provided for these sectors is limited to 355 million Euro. Also, since December 2014, 95.4 million Euro of support has been provided for water supply, wastewater and solid waste management through the EU trust fund. Through ILBANK, the World Bank has been supporting social infrastructure development including water supply, wastewater and solid waste management of local authorities, with “Municipal Services Improvement Project” (loan amount: 148.8 million USD, March 2020 to December 2024) and “Sustainable Cities Project” (loan amount: 132.7 million USD, January 2017 to December 2024) etc. Neither of these projects overlaps with the Sub-Projects requested from Local Authorities in this Project.

3. Project Description

(1) Project Objective

The objective of the Project is to promote development of social infrastructure including water supply, wastewater management and solid waste management, by providing long-term finance to social infrastructure projects in target provinces affected by influx of the Syrians who are under temporary protection in Turkey,

thereby contributing to improvement of living conditions of these Syrians and host communities.

(2) Project Site / Target Area

Throughout the Republic of Turkey

(3) Project Components

With a two-step loan via ILBANK (financial institution of the Government of Turkey for local authorities), long-term funds required for social infrastructure development such as water supply, wastewater and solid waste management will be provided to Local Authorities that have a particularly great need for social infrastructure development being affected by influx of the Syrians. ILBANK signs Sub-Loan Agreements with each Local Authority, with a set interest rate of 1.0% added to the Japanese ODA loan interest rate for this Project as operational cost and margin. The Sub-Loan Agreement may include multiple Sub-Projects, and for each Sub-Project, ILBANK will make selections by taking into account the five selection criteria listed below.

(i) Sub-Project whose justification in light of the Project objective can be clearly explained by ILBANK or Local Authorities

(ii) Sub-Project whose contract amount is estimated less than three billion JPY

(iii) Sub-Project that is not classified as Category A according to “JICA Guidelines for Environmental and Social Considerations (April 2010) “

(iv) Sub-Project whose operation and maintenance by Local Authorities is confirmed as proper by ILBANK

(v) Sub-Project that is scheduled no other financial assistance (loan and grant) from donors

The expenses for the employment of Supervision Experts for implementation support such as design/construction supervision, etc. will be included in the Sub-Loan Agreement.

(4) Estimated Project Cost

49,052 million Yen (Japanese ODA loan: 45,000 million Yen)

(5) Schedule

July 2021-July 2028 (85 months)

The Project will be completed upon completion of disbursement (July 2028).

(6) Project Implementation Structure

1) Borrower: Iller Bank

2) Guarantor: The Government of the Republic of Turkey

3) Executing Agency: Iller Bank

- 4) Operation and Maintenance System: Local Authorities will be in charge of Operation and Maintenance (provided that water utilities of each province will be in charge in case of the water and waste water projects of metropolitan municipalities)

(7) Collaboration and Sharing of Roles with Other Donors

1) Japan's Activity

In TK-P21, of the 104 Sub-Projects corresponding to the upper limit of the loan amount, 66 have been completed or are being implemented, and the remaining 38 in the process of procurement are set to start the construction by the end of 2021. As stated above, more and more local authorities around the country are accepting the Syrians, and while their needs are diverse, additional funds are required, yet all of these needs cannot be covered by support from the EU, World Bank and other donors. Therefore, the Turkish government has requested to expand the target provinces and sectors of this Project from those of TK-P21. Moreover, there is no overlap between Sub-Projects in TK-P21 that have been completed or are being implemented and the Sub-Projects requested from Local Authorities in this Project.

2) Other Donors' Activity

As stated in 2. (3), the EU and World Bank are providing support through ILBANK for social infrastructure development covering water supply, wastewater and solid waste management under the jurisdiction of local authorities in Turkey. When selecting Sub-Projects for this Project, overlap with other donors' projects should be avoided. And for the Sub-Projects where synergy with other donor's projects can be expected, cooperation with other donors will be ensured through regular information sharing and discussions.

(8) Environmental and Social Consideration/Cross-Sectoral Issues/Gender Category

1) Environmental and Social Consideration

① Category: FI

② Reason for Categorization: As per "JICA Guidelines for Environmental and Social Considerations (April 2010)", the Sub-Projects cannot be specified prior to JICA's approval of funding, and those Sub-Projects are expected to have a potential impact on the environment.

③ Other/Monitoring: In this Project, the financial intermediary (ILBANK) categorizes each Sub-Project based on Turkey's domestic law and "JICA Guidelines for Environmental and Social Considerations (April 2010)", and

provides the necessary measures for each category. Moreover, it is agreed with ILBANK that Category A Projects will not be included in Sub-Projects and that an Environmental and Social Performance Report for Sub-Projects will be submitted on an annual basis.

2) Cross-Sectoral Issues: None

3) Gender Category: Gender Informed [GI]

<Details of Activities/Reason for Categorization>

Although gender mainstreaming needs were examined in the appraisal, specific initiatives and activities contributing to gender equality and women's empowerment were not decided to be implemented.

(9) Other Important Issues: None

4. Targeted Outcomes

(1) Quantitative Effects

1) Outcomes (Operation and Effect Indicators)

Indicator		Baseline (Actual value in 2021)	Target (2030) [Two years after project completion]
Water	Population Served (persons)	Baseline and Target values will be set through F/S after Sub-Projects are selected, for all sectors including other sectors than those mentioned on the left. Also other indicator which is not mentioned on the left can be included.	
	Amount of Water Supply (m3/day)		
	Percentage of Population Served (%)		
	Water Supply per Capita (m3/person per day)		
Waste Water	Population Served (persons)		
	Amount of wastewater treated (m3/day)		
	Percentage of Population Served (%)		
Solid Waste	Improvement of Water Quality (BOD)(%)		
	Solid Waste Collection Ratio (%)		
	Percentage of Population Served (%)		

(2) Qualitative Effects

Social stability in host communities

(3) Internal Rate of Return

To be calculated for each Sub-Project through F/S after Sub-Projects are selected.

5 . External Factors and Risk Control

(1) Preconditions: None

(2) External Factors:

The Turkish government's policy toward acceptance of the Syrians is not changed as a result of further large-scale influx of people from Syria and neighboring countries and a more serious and longer-term domestic economic slump due to significant changes to the internal conditions of Syria and neighboring countries.

6 . Lessons Learned from Past Projects

Based on ex-post evaluation results of the Japanese ODA loan "Local Government Units Support Credit Program" (evaluation year 2007) for the Republic of the Philippines, it has been learned that for the monitoring/evaluation of individual Sub-Project's Effect Indicators, it is not appropriate to rely on the independent efforts of local authorities and government-related organizations, but it is better to require the setting of indicators and thorough recording prior to the start of the Project, by making the submission of monitoring records obligatory as loan criteria etc.

In this Project, in addition to the thorough checking of indicators set after the selection of Sub-Projects, ILBANK obligates Local Authorities to report the latest values of indicators. Through the Project Status Report that are submitted every quarter and Project Completion Report, etc., ILBANK and JICA Turkey Office will periodically monitor the effectiveness and sustainability of Sub-Projects.

7 . Evaluation Results

The necessity to support this Project is high, as the Project is consistent with Turkey's development issues/development policies and Japan and JICA's cooperation policy/analysis, and the Project is to promote Local Authorities' social infrastructure development and will contribute to improving the living conditions of the Syrians and host communities, and the Project is also expected to contribute to the following SDGs: Goal 6 (Clean water and sanitation), Goal 10 (Reduced inequalities), Goal 11 (Sustainable cities and communities) and Goal 16 (Peace, justice and strong institutions).

8 . Plan for Future Evaluation

(1) Indicators to be Used

As indicated in Sections 4.

(2) Future Evaluation Schedule

Ex-post evaluation: two years after the project completion

END