



Environmental and Social Review Summary

Izmir Marine Transportation Project

This Environmental and Social Review Summary (ESRS) is prepared by MIGA staff and disclosed prior to the date on which MIGA's Board of Directors considers the proposed issuance of a Contract of Guarantee. Its purpose is to enhance the transparency of MIGA's activities. This document should not be construed as presuming the outcome of the decision by MIGA's Board of Directors. Board dates are estimates only.

Any documentation that is attached to this ESRS has been prepared by the project sponsor, and authorization has been given for public release. MIGA has reviewed the attached documentation as provided by the applicant, and considers it of adequate quality to be released to the public, but does not endorse the content.

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| Country: | Turkey |
| Sector: | Infrastructure – Transportation |
| Project Enterprise: | Metropolitan Municipality of Izmir |
| Environmental Category: | B |
| Date ESRS Disclosed: | May 23, 2013 |
| Status: | Due Diligence |

A. Project Description

The proposed project consists of: 1) the acquisition of fifteen passenger ferries and three vehicle ferries; and 2) the construction of four new wharves and a repair facility in the Metropolitan Municipality of Izmir (MMI), Turkey. The project aims to reduce congestion, reduce travel times and promote the development of an integrated public transportation system in Izmir. Construction of the wharves and repair yard and acquisition of the ferries will be carried out by MMI. The passenger ferries will be built and supplied by Ozata Tersanecilik (Ozata), a Turkish company. Operation of the ferries will be handled by Izdeniz A.S. Alsancak (Izdeniz), a company incorporated in Turkey which is majority-owned by MMI and whose business activities are entirely comprised of this ferry operation. Izdeniz currently operates 24 ferries and 8 wharves; this proposed project will be a substantial upgrade of the ferry fleet, wharves and repair facilities.

The total project cost is estimated at €159 million and will be financed by MMI and three separate parallel loans from Agence France de Développement (AFD), European Bank for Reconstruction and Development (EBRD) and ING-DiBa AG (ING). This project follows a previous financing by IFC in 2012 in which IFC provided a €54 million loan to MMI to support a traffic management system and new emergency response vehicles. ING has requested that MIGA provide Non-Honoring of Sovereign Financial Obligations (NHSFO) cover on its €33 million loan to MMI. The proceeds of the ING loan will be used to finance several of the ferries in support of the project. MIGA's environmental and social (E&S) due diligence and monitoring will be directed at the acquisition and operation of ferries used in the project, as well as the wharves and repair facility, which are considered associated facilities of the project.

B. Environmental and Social Categorization

This Project is a Category B under MIGA's Policy on Environmental and Social Sustainability. Key environmental and social issues for the project and associated facilities are expected to relate to passenger health and safety, labor and working conditions, and pollution prevention and abatement (including waste management, spill response, and hazardous materials). With the exception of passenger safety these impacts will arise during both construction and operation phases. The new wharves will be added to existing port infrastructure. The sites for the wharves and repair facility have not yet been identified, and currently most E&S work and requirements are forward-looking due to the early stage of the project.

C. Applicable Standards

While compliance of the project and associated facilities with all applicable Performance Standards will be required, based on our current information we anticipate that the project and associated facilities will generate impacts which must be managed in a manner consistent with the following Performance Standards:

- PS1: Social and Environmental Assessment and Management Systems
- PS2: Labor and Working Conditions
- PS3: Pollution Prevention and Abatement
- PS4: Community Health, Safety & Security

The sites for the wharves and repair facility have not yet been identified. The current expectation of MMI is that no resettlement will be necessary for the building of the repair facility. If resettlement is necessary, MIGA will require that it be carried out in accordance with PS5. Construction of the wharves and repair facility is not expected to pose risks to biodiversity. Nevertheless, the ESAP will require the contractor selected by MMI to implement a plan for conserving and monitoring biodiversity, which is intended to either confirm that there will be no discernible impacts on biodiversity or else minimize such impacts. Indigenous peoples are not present in the area, and thus PS7 does not apply. No impacts on cultural heritage are anticipated. MIGA will require a chance finds procedure in accordance with PS8.

D. Key Documents and Scope of MIGA Review

The project is at an early stage. No assessments or studies have been produced for the construction activities, as sites have not yet been chosen. The operation of the ferries has been determined by MMI to be exempt from the requirement of an Environmental and Social Impact Assessment (ESIA). MIGA has reviewed and is relying on the due diligence conducted by EBRD, and in particular the report of the E&S consultant retained by EBRD in connection with its loan to MMI. The report is based on information provided by MMI and Izdeniz and a March 2013 site visit which included meetings with key stakeholders. In addition to the report an Environmental and Social Action Plan (ESAP) has been developed to address E&S work that must be carried out in order to ensure compliance with the applicable E&S standards. This ESAP is disclosed along with this ESRS.

E. Key Issues and Mitigation

PS1: Social and Environmental Assessment and Management Systems

Social and Environmental Assessment:

The sites for the new wharves and repair yard have not yet been selected. Consequently, no ESIA's have been prepared. The ESAP contains the requirement of ESIA's or other robust E&S impact analysis for these activities, benchmarked against local requirements, EBRD requirements and the IFC 2012 Performance Standards, which satisfy MIGA's requirements. The operation of the ferries by Izdeniz has been determined by MMI to be ESIA exempt. However, E&S assessment work will be done in preparation of the various E&S management plans that are to be developed under the ESAP to govern the operation of the ferries.

Management Program and Monitoring:

Management and monitoring programs are not yet in place for construction and will be required under the ESAP once the contractor is chosen. MMI has an environment department that will handle these aspects and fulfill the requirements of the ESAP, which will include adherence to applicable International Maritime Organization (IMO) requirements. Izdeniz has systems in place encompassing areas that include health and safety, emergency response, and human resources. The ESAP addresses areas to be improved and in some cases development of additional programs or plans. Areas covered by the ESAP include safety audits, risk assessments, equipment maintenance, grievance mechanisms, gender diversity, and a program of regular monitoring.

Organizational Capacity and Training:

Both Izdeniz and the environment department of MMI have experience assessing and managing the E&S risks of passenger ferry projects. MMI will be responsible for ensuring adequate capacity and training at the level of the construction contractor, including the hiring of experienced E&S managers, the development of robust E&S systems, and ensuring compliance by the contractor with the Performance Standards and other applicable standards.

PS2: Labor and Working Conditions

The contractor will be required to implement a health and safety plan, risk assessments, safe operating procedures, a health and safety committee, preventive maintenance plans, and other components of an overall E&S management system that will address worker safety in compliance with PS2, Safety of Life at Sea (SOLAS), and other IMO and applicable standards. MMI will be responsible for a health and safety monitoring program to encompass accidents, incidents, training needs, contractor inspections, chemical exposure, working conditions, and other issues during construction activities.

Regarding other aspects of PS2, including wages paid, terms of employment, HR policies, non-discrimination, employee rights and grievance mechanisms, employment details have not been finalized for construction, but the ESAP requires compliance with PS2 in all of these aspects. Likewise, Izdeniz will be required to implement PS2-compliant systems for the operation of the ferries. In its current operations Izdeniz pays above minimum wage and operates in compliance

with Turkish labor laws. Izdeniz will be required to implement a gender diversity plan to increase the number of women in positions across the company. Regarding the shipbuilder that has been contracted to supply the passenger ferries, Ozata, MMI has included environmental, health and safety requirements in the supply contract and the ESAP will require MMI to monitor E&S performance at Ozata during fulfillment of the contract.

PS3: Pollution Prevention and Abatement

The ferries to be procured for this project will be replacing an older fleet. Improvements in fuel efficiency and emissions are expected. For construction activities, standard pollution risks including solid and liquid wastes and air emissions from generators are anticipated. During the operation phase the risk of fuel spills will be present, as well as the creation of a modest amount of solid and liquid waste, relating both to operation of the ferries and activities at the maintenance yard. A solid and liquid waste plan, hazardous materials management plan, risk assessments, safe operating procedures and emergency response plan (including for spills) will be required for the contractor hired by MMI to construct the maintenance yard and wharves and for Izdeniz in its operation of ferries, wharves, and maintenance yard. The ESAP requires that these plans are consistent with the Performance Standards, IMO and MARPOL requirements, and other applicable standards. At this point no final decisions have been made regarding existing vessel decommissioning. The ESAP requires any shipbreaking to be carried out in compliance with applicable standards including the IMO Guidelines for Safe and Environmentally Sound Recycling of Ships.

PS4: Community Health, Safety & Security

The various plans and systems detailed under PS3 for the construction activities and operation of the ferries, including emergency response plans and health and safety management plans (which will apply to communities and passengers as well as workers), will also serve to ensure compliance with PS4. Izdeniz will be required to ensure passenger safety in accordance with PS4 and other applicable requirements including those of IMO.

Security Arrangements:

Security arrangements for construction will likely be handled by the contractor through the hiring of private security personnel. The contractor will be required by the ESAP to develop and implement a security plan. This plan will include an assessment of potential risks for those within and outside the project sites.

F. Environmental Permitting Process and Community Engagement

Operation of the ferries by Izdeniz has been determined to be ESIA-exempt. For the construction activities MMI has an environmental department which will develop the necessary ESIA's, either directly or through a consultant. The ESAP specifies that such ESIA's will be completed in conformance with the Performance Standards. It is anticipated that construction of the repair yard will require an ESIA, whereas construction of the wharves may not. However, the ESAP requires robust E&S impact analysis for the wharf construction in any event. The ESAP requires that community engagement be a part of the ESIA work for all activities, and a Stakeholder

Engagement Plan is also required. Upon submission of the ESIA(s) and other documentation, MMI will acquire the necessary permits for construction, and Izdeniz will also obtain any necessary permits for operating the ferries.

G. Availability of Documentation

The ESAP in [English](#) and [Turkish](#) is available electronically as a PDF attachment to this ESRS at www.miga.org.

Once ESIA's are developed by MMI they will be disclosed locally.

For further information, please contact:

Mr. Mehmet Sayar
Head of Support Services Department
Izmir Metropolitan Municipality
Fax: +90 232 293 3995 Tel: +90 232 293 1200
satinlma@izmir.bel.tr

Mr Fidan Aslan
Head of Transportation Department
Fax: +90 232 293 1331 Tel: +90 232 293 1483
fidanaslan@hotmail.com