

Public Disclosure Authorized

# OFFICIAL DOCUMENTS

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LOAN NUMBER 8860-TR

## Loan Agreement

(Inclusive Access To Finance Project)

between

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *June 7*, 2018

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**LOAN NUMBER 8860–TR**

**LOAN AGREEMENT**

AGREEMENT dated as of the Signature Date between TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. (“Borrower” or “TSKB”) (“Borrower”), a joint stock company established and operating under the Republic of Turkey and further defined in the Appendix to this Agreement, and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower the amount of four hundred million Dollars (USD 400,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, and except as the Borrower, the Guarantor and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement, and the Operations Manual.

### **ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Borrower shall have adopted the Operations Manual in a manner satisfactory to the Bank; and
  - (b) at least two (2) Subsidiary Financing Agreements, satisfactory to the Bank, shall have been entered into between the Borrower and Participating Financial Institutions (“PFIs”) in accordance with the provisions of Section I.B.1 of Annex 1 to Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.

### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Borrower’s Representative is the Executive Vice President of the Borrower.
- 5.02. For purposes of Section 10.01 of the General Conditions:
- (a) the Borrower’s address is:  
  
Türkiye Sınai Kalkınma Bankası A.Ş.  
Meclisi Mebusan Caddesi  
No. 81  
34427 Fındıklı,  
İstanbul  
Turkey; and
  - (b) the Borrower’s Electronic Address is:  
  
Facsimile:

(90-212) 334-5234

- 5.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and

- (b) the Bank's Electronic Address is:

Telex:	Facsimile:
248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED as of the Signature Date.

TÜRKİYE SİNAİ KALKINMA BANKASI  
A.Ş.

By 

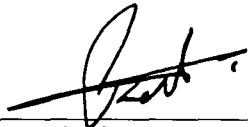
Authorized Representative

Name: Surt İNCE

Title: CEO

Date: 7.6.2018

By



Authorized Representative

Name: Coşkun KANBEROĞLU

Title: Department Head

Date: 7.6.2018

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Johannes Zuff

Title: Country Director

Date: 7 June 2018

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve access to longer-term finance for (i) Women-Inclusive Enterprises, and (ii) enterprises in Less Developed Sub-regions affected by the SuTP influx.

The Project consists of the following parts:

**Part 1. On-lending through qualified PFIs to eligible beneficiary enterprises**

Establishment and operation of a credit facility for the Borrower's provision of Subsidiary Financing to select PFIs to provide Sub-loans to eligible beneficiary Small and Medium Enterprises ("SMEs"), comprising Women-Inclusive Enterprises, and Enterprises in Less Developed Sub-regions affected by the SuTP influx, to finance Sub-projects.

**Part 2. Direct Lending by the Borrower to eligible beneficiary enterprises**

Establishment and operation of a credit facility for the Borrower's provision of Sub-loans to eligible beneficiary SMEs and Large Enterprises ("LEs"), comprising Women-Inclusive Enterprises and Enterprises in Less Developed Sub-regions affected by the SuTP influx, to finance Sub-projects.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. Except as the Bank shall otherwise agree, the Borrower shall, throughout the implementation of the Project:
  - (a) maintain a Project Implementation Unit (“PIU”) for the purpose of, *inter alia*: (i) selecting, and on-lending to, PFIs under Part 1 of the Project, (ii) monitoring the PFIs’ carrying out of Part 1 of the Project to ensure compliance with the criteria for Part 1 of the Project, as set forth in this Agreement and the Operations Manual, (iii) overseeing the Borrower’s direct lending to SMEs and LEs under Part 2 of the Project, (iv) ensuring adherence to all Bank fiduciary and safeguard requirements by Project beneficiaries, and (v) carrying out Project monitoring and evaluation; and
  - (b) ensure the PIU functions at all times in a manner and with staffing and budgetary resources necessary and appropriate for the implementation of the Project and to the satisfaction of the Bank.
2. The Borrower shall: (a) maintain the Operations Manual in form and content satisfactory to the Bank; (b) duly perform all its obligations under the Operations Manual, including ensuring the PFIs’ and Project beneficiaries’ adherence to the relevant terms of said manual; and (c) not assign, amend, abrogate or waive the Operations Manual, or permit any of its provisions to be assigned, amended, abrogated or waived without obtaining the prior approval of the Bank. In case of any conflict between the terms of the Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.
3. The Borrower shall, throughout the implementation of the Project, comply with the applicable prudential regulations of the Guarantor.
4. For the purposes of carrying out the Project, the Borrower shall, except as the Bank may otherwise agree, ensure that:
  - (a) at least sixty percent (60%) of the Loan is allocated to finance Sub-loans to SMEs;
  - (b) no more than forty percent (40%) of the Loan is allocated to finance Sub-loans to LEs;

- (c) at least thirty percent (30%) of the Loan is allocated to finance Women-Inclusive Enterprises; and
  - (d) at least thirty percent (30%) of the Loan is allocated to finance enterprises in Less Developed Sub-regions, of which a percentage agreed to by the Bank and set forth in the Operations Manual shall be allocated to finance enterprises in Least Developed Sub-regions.
- 5. The Borrower shall contribute to the improvement of the PFIs' technical capacity to lend to Women-Inclusive Enterprises under Part 1 of the Project, including:
  - (a) within twelve (12) months after the Borrower's signing of a Subsidiary Financing Agreement with a selected PFI, the Borrower shall cause the PFI to carry out a gender bias survey, satisfactory to the Bank, of the PFI's loan officers; and
  - (b) the Borrower shall organize training on gender finance, satisfactory to the Bank, and shall cause the selected PFI to ensure the attendance of said training by its loan officers.
- 6. For the purposes of carrying out Part 1 of the Project, the Borrower shall, as appropriate, ensure or cause to ensure that (a) the eligibility criteria for selecting PFIs, (b) the terms and conditions for the Borrower's provision of Subsidiary Financing to PFIs, (c) the eligibility criteria for selecting beneficiary SMEs, (d) the eligibility criteria for selecting Sub-projects, (e) the terms and conditions for the selected PFIs' provision of Sub-loans to SMEs, and (f) the procedures for approving Sub-loans, as set forth in the Operations Manual and in Annex 1 of this Schedule 2, are followed.
- 7. For the purposes of carrying out Part 2 of the Project, the Borrower shall ensure that (a) the selection criteria of the beneficiary SMEs and LEs, (b) the eligibility criteria for selecting Sub-projects, (c) the terms and conditions for the Borrower's provision of Sub-loans to SMEs and LEs, and (d) the procedures for approving Sub-projects, set forth in the Operations Manual and set forth and/or referred to in Annex 2 of this Schedule 2, are followed.
- 8. The Borrower shall utilize principal Repayments (defined in sub-paragraph (b) below) from the first financing cycle to provide additional Subsidiary Financing to the same or other PFIs under Part 1 of the Project, and additional Sub-loans to the same or other SMEs and LEs under Part 2 of the Project (each case, "Reflows") – for the same purpose of financing Woman-inclusive Enterprises and enterprises in Less Developed Regions – for at least one additional financing cycle, and such Reflows:



- (a) (i) shall be made within twelve (12) months of the principal Repayments reaching a total equivalent to USD 30,000,000;
- (ii) shall be in the amount of the Repayments not required to meet the Borrower's payment obligations to the Bank under this Agreement; and
- (iii) shall, in the aggregate, not be less than the aggregate of the Subsidiary Financing provided in the first financing cycle; and
- (b) for this purpose, (i) establish a separate account, in accordance with policies and procedures satisfactory to the Bank; (ii) deposit into said account each payment of interest or other charges and repayment of principal under all Subsidiary Financing Agreements under Part 1 of the Project and Sub-loan Agreements under Part 2 of the Project (each case, "Repayments") promptly upon receipt thereof; (iii) record the same; and (iv) accumulate the amounts required to meet the Borrower's payment obligations to the Bank under this Agreement.

**B. Safeguards.**

1. The Borrower shall: (a) in carrying out the Project, and/or cause the relevant PFIs to in carrying out Part 1 of the Project, take all necessary measures in accordance with the Operations Manual, the Environmental and Social Management Framework ("ESMF") and the Environmental and Social Management Plans ("ESMPs"), and shall not amend, suspend, abrogate, repeal or the ESMF and/or the ESMPs, without prior approval of the Bank; (b) ensure, and/or cause the respective PFIs to ensure under Part 1 of the Project, that no Sub-project shall involve any Involuntary Resettlement; and (c) ensure that adequate information on the implementation of the ESMF and the ESMPs is suitably included in the Project Reports.
2. The Borrower shall not in carrying out Part 2 of the Project, and cause the PFIs to not in carrying out Part 1 of the Project, provide Sub-loans for any Sub-project unless: (a) the Sub-project has been screened and approved in accordance with the provisions of the Operations Manual and the ESMF; and (b) as the case may be, the Sub-project has been subjected to an environmental and social analysis and its environmental and social impacts have been addressed in a manner satisfactory to the Borrower in accordance with the provisions of the Operations Manual and the ESMF.
3. In the event that a proposed Sub-project (under either Part 1 or Part 2 of the Project) involves potential land acquisition, the Borrower shall cause the PFIs in carrying out Part 1 of the Project, or shall in carrying out Part 2 of the Project:

- (a) perform a study using a land acquisition screening form, satisfactory to the Bank, to justify a determination that no conditions triggering Involuntary Resettlement are involved;
- (b) ensure that any proposed land acquisition under Sub-projects are market-based, involving only willing buyers and willing sellers;
- (c) ensure that, in cases of any proposed utilization of public lands, (i) the transfer documents for the allocation or rental arrangements of such public lands are included as supporting documentation in the land acquisition screening form, and (ii) such land is not utilized either informally or formally by any persons as a source of income or means of livelihood; and
- (d) ensure that no Sub-projects involve Involuntary Resettlement or expropriation.

**Section II. Project Monitoring Reporting and Evaluation**

The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each six (6) month period, covering said period.

**Section III. Withdrawal of Loan Proceeds**

**A. General.**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay (i) the Front-end Fee, and (ii) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Subsidiary Financing under Part 1 of the Project	199,500,000	100% of amount of Subsidiary Financing disbursed under a Subsidiary Financing Agreement
(2) Sub-loans under Part 2 of the Project	199,500,000	100% of amount of Sub-loans disbursed under a Sub-loan Agreement
(3) Front-end Fee	1,000,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>400,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$80,000,000 may be made for payments made prior to this date but on or after July 1, 2017, for Eligible Expenditures under Categories (1) and (2).
2. The Closing Date is June 30, 2023.

**ANNEX 1**  
**to**  
**SCHEDULE 2**

For the purposes of Section I.A.6 of this Schedule 2, in relation to the carrying out of Part 1 of the Project, (a) the eligibility criteria for selecting PFIs, (b) the terms and conditions for the Borrower's provision of Subsidiary Financing to PFIs, (c) the eligibility criteria for selecting beneficiary SMEs, (d) the eligibility criteria for selecting Sub-projects, (e) the terms and conditions for the selected PFIs' provision of Sub-loans to SMEs, and (f) the procedures for approving Sub-loans, shall include those set forth below.

**I. Borrower's Provision of Subsidiary Financing to PFIs**

A. ***Participating Financial Institution ("PFI") Eligibility Criteria.*** For the purposes of carrying out Part 1 of the Project, and except as the Bank shall otherwise agree, the Borrower shall select Participating Banks and Leasing Companies as PFIs in accordance with the criteria and procedures set forth in the Operations Manual, including the following:

1. ***Participating Banks.*** A Participating Bank may be selected as a PFI only if it is duly established and operating in the territory of the Guarantor and in respect of which the Borrower shall have determined, and the Bank shall have agreed with the determination, that the Participating Bank:
  - (a) has total assets exceeding the equivalent of USD 1,000,000,000 on average during the last two fiscal years of the Participating Bank preceding the signing of its Subsidiary Financing Agreement;
  - (b) is in compliance with applicable banking regulations and prudential regulations of the Guarantor as: (i) confirmed in the semiannual financial reports of the Participating Bank; and (ii) duly certified by the Participating Bank's auditors at the end of each fiscal year of the Participating Bank provided that in the first year of the Subsidiary Financing, if the auditor's certification is not available, a management letter confirming the Participating Bank's compliance with applicable banking regulations and prudential regulations of the Guarantor will be accepted in lieu of the auditor's certification;
  - (c) is operating pursuant to investment and financing policies and procedures acceptable to the Bank, the Borrower, and the Guarantor, and has undertaken to maintain said policies and procedures;

- (d) has adequate organization, management, staff and other resources necessary for its efficient operation;
- (e) has committed to (1) carrying out a gender bias survey of its loan officers, to the satisfaction of the Bank, and (2) ensuring the training of its staff on gender finance in accordance with parameters set forth in the Operations Manual; and
- (f) applies appropriate procedures for appraisal, supervision, and monitoring of Sub-projects, including for the efficient evaluation and supervision of the procurement, environmental and social elements of Sub-projects.

2. ***Leasing Companies.*** A Leasing Company may be selected as a PFI only if it is duly established and operating in the territory of the Guarantor, and in respect of which the Borrower shall have determined, and the Bank shall have agreed with the determination, that the Leasing Company:

- (a) has total lease receivables exceeding a minimum of USD 50,000,000 equivalent on average during the last two fiscal years preceding the Leasing Company's signing of the Subsidiary Financing Agreement;
- (b) has new lease volume exceeding a minimum of USD 50,000,000 equivalent on average during the last two fiscal years preceding the Leasing Company's signing of the Subsidiary Financing Agreement;
- (c) has been profitable for at least two (2) out of the last three (3) years of its operations;
- (d) is in compliance with applicable laws and regulations of the Guarantor that are applicable to the leasing industry as: (i) confirmed in the semiannual financial reports of the Leasing Company; and (ii) duly certified by the Leasing Company's auditors at the end of each fiscal year of the Leasing Company provided that in the first year of the Subsidiary Financing, if the auditor's certification is not available, a management letter confirming the Leasing Company's compliance with applicable banking regulations and prudential regulations of the Guarantor will be accepted in lieu of the auditor's certification;
- (e) is operating pursuant to investment and financing policies and procedures acceptable to the Bank, the Borrower, and the

Guarantor, and has undertaken to maintain said policies and procedures;

- (f) has adequate organization, management, staff and other resources necessary for its efficient operation;
- (g) has committed to carrying out (i) a gender bias survey of its loan officers, to the satisfaction of the Bank, and (ii) ensuring training of its staff on gender finance in accordance with parameters which will be provided in the Operations Manual; and
- (h) applies appropriate procedures for appraisal, supervision, and monitoring of Sub-projects, including for the efficient evaluation and supervision of the procurement, environmental and social elements of Sub-projects.

**B. Terms and Conditions of the Subsidiary Financing to PFIs.**

1. ***Terms of the Subsidiary Financing to PFIs.*** For the purpose of carrying out Part 1 of the Project, the Borrower shall facilitate the carrying out of each PFI's respective part of the Project, by making part of the proceeds of the Loan allocated from time to time to Category (1) set forth in Section III.A of this Schedule to each selected PFI (provided that the PFI continues to satisfy the eligibility criteria set forth in paragraph 1 in Section I.A of this Schedule), in accordance with on-lending terms set forth in the individual subsidiary financing agreements between the Borrower and the respective PFIs, under terms and conditions approved by the Bank (collectively "Subsidiary Financing Agreements"), which shall include the following terms and conditions:
  - (a) Each Subsidiary Financing shall be subject to interest, markup, charges and/or fees applied to the principal amount thereof withdrawn and outstanding from time to time and which interest, markup, charges and/or fees, in the aggregate, shall not be less than the rate payable under Section 2.05 of this Agreement plus:
    - (i) any premium, charges and fees payable under this Agreement;
    - (ii) the administrative costs of the Borrower; and (iii) a reasonable risk margin ("Subsidiary Finance Rate").
  - (b) The Subsidiary Financing to:
    - (i) a Participating Bank shall have a minimum maturity period of six (6) years and shall be in an amount not exceeding the equivalent of USD 40,000,000; and

- (ii) a Leasing Company shall have a minimum maturity of five (5) years and shall be in an amount not exceeding the equivalent of USD 40,000,000.

2. ***Conditions of the Subsidiary Financing to PFIs.*** Each Subsidiary Financing Agreement shall contain provisions pursuant to which the PFI concerned undertakes to:

- (a) carry out the activities under Part 1 of the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, including (i) in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, (ii) with qualified management and staff in adequate numbers, (iii) in conformity with the investment and lending policies and procedures referred to in the Operations Manual, and (iv) to provide, promptly as needed, the funds, facilities, services and other resources required for this purpose;
- (b)
  - (i) provide, except as the Bank shall otherwise agree, Sub-loans to eligible SMEs on the terms and conditions set forth in the Operations Manual, including, without limitation, the terms and conditions set forth in this Annex to Schedule 2;
  - (ii) ensure that, except as the Bank shall otherwise agree: (A) the amount of each Sub-loans provided to any single SME shall not exceed the equivalent of USD 3,500,000; and (B) the aggregate amount of outstanding Sub-loans provided to any single SME from all PFIs shall not exceed the equivalent of USD 6,000,000;
  - (iii) exercise its rights and carry out its obligations in relation to each such Sub-loan in such a manner as to protect its interests and the interests of the Borrower, the Guarantor and the Bank, comply with its obligations under its respective Subsidiary Financing Agreement, and achieve the purposes of the Project;
  - (iv) not assign, amend, abrogate or waive any of its agreements providing for Sub-loan, or any provision thereof, without the prior approval of the Borrower;
  - (v) select and appraise Sub-projects and supervise, monitor and report on the carrying out of Sub-projects by SMEs, all

in accordance with the Operations Manual, and ensure that no Excluded Activities are included in any Sub-project;

- (vi) ensure that each Sub-project complies with environmental and social review procedures set forth in the Operations Manual and Environmental and Social Management Framework (“ESMF”). To that end, PFIs shall require each SME applying for a Sub-loan to furnish evidence satisfactory to the Bank, showing that the Sub-project, in respect of which the application has been prepared, is in accordance with such procedures;
  - (vii) ensure that for Sub-projects that require an Environmental and Social Management Plan, the SME concerned shall carry out such plan in a timely manner, requiring such Environmental and Social Management Plan to be in compliance with the Operations Manual and ESMF, and shall include adequate information on the carrying out of such Environmental and Social Management Plans in the progress reports referred to in sub-paragraph (c)(ii) of this paragraph; and
  - (viii) ensure that goods, works, non-consulting services and consulting services to be financed out of the proceeds of the Loan shall be used exclusively in the carrying out of the Sub-project;
- (c)
- (i) exchange views with and furnish all such information to the Bank or the Borrower, as may be reasonably requested by the Bank and the Borrower, with regards to the progress of its activities under the Project, the performance of its obligations under its respective Subsidiary Financing Agreement, and other matters relating to the purposes of the Project;
  - (ii) prepare and submit to the Borrower, quarterly reports on Sub-loan disbursements and repayments;
  - (iii) promptly inform the Bank and the Borrower of any condition that interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Financing Agreement;



- (d) (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition;
    - (ii) furnish to the Bank such information concerning said records and accounts as the Bank shall from time to time reasonably request; and
  - (e) assume the risk of each Sub-loan.
- 3. Each Subsidiary Financing Agreement shall also provide that the right of the PFI to use the proceeds of its respective Subsidiary Financing shall be:
  - (a) suspended upon failure of such PFI to perform any of its obligations under its respective Subsidiary Financing Agreement, or to continue to satisfy the eligibility criteria set forth in Section I.A of this Schedule, as the case may be; and
  - (b) terminated if such right shall have been suspended pursuant to sub-paragraph (a) hereof for a continuous period of sixty (60) days.
- 4. The Borrower shall take or cause to be taken all action necessary or appropriate on its part to:
  - (a) enable the selected PFIs to perform in accordance with the provisions of their respective Subsidiary Financing Agreements all the obligations of the PFIs therein set forth, and not take or permit to be taken any action that would prevent or interfere with such performance;
  - (b) monitor the overall execution of the Project and the carrying out by the PFIs of their obligations under their respective Subsidiary Financing Agreements in accordance with policies and procedures satisfactory to the Bank; and
  - (c) exercise its rights and carry out its obligations under the Subsidiary Financing Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, or fail to enforce the Subsidiary Financing Agreement or any of its provisions.

## II. PFIs' Provision of Sub-loans to SMEs

A. ***SME Eligibility Criteria.*** Each SME shall establish, and maintain during the duration of its receipt of the relevant Sub-loan, the following to the satisfaction of the Borrower and PFI:

1. it is an SME;
2. it is a Private Enterprise;
3. it has a satisfactory financial structure and the organization, management, staff and financial and other resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project; and
4. it has a certificate from the relevant local or national authorities of the Guarantor about compliance with applicable environmental laws and regulations of the Guarantor.

B. ***Sub-project Eligibility Criteria.*** Unless otherwise agreed between the Bank and the Borrower, each Sub-loan shall be provided for a Sub-project which is determined, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank:

1. to be technically feasible and economically, financially and commercially viable;
2. to be in compliance with all requirements of the ESMF. To that end, the PFI shall require each SME applying for a Sub-loan to furnish evidence satisfactory to the PFI, the Borrower, and the Bank, showing that the Sub-project for which the application was made, was prepared in accordance with such procedures, such evidence to include, *inter alia*, an Environmental and Social Management Plan prepared in accordance with the requirements of the ESMF for a Sub-project submitted for approval;
3. not to be supporting and not to include the purchase of land that involves any Involuntary Resettlement; and
4. not to be supporting and not to include any of the Excluded Activities.

C. ***Terms and Conditions for the Sub-loans to SMEs.***

1. ***Terms.*** Except as the Bank shall otherwise agree, each Sub-loan shall be provided on terms, including those relating to the maturity, interest rate,

markup, charges and/or fees determined in accordance with the PFI's investment and lending policies and practices, provided that:

- (a) the interest rate, markup, charges and/or fees, in the aggregate, to be applied to the principal amount thereof withdrawn and outstanding from time to time, shall not be less than the Subsidiary Finance Rate applicable from time to time pursuant to Section I.B.1(a) of this Annex to Schedule 2 plus the PFI's administrative costs and an appropriate risk margin; and
  - (b) each Sub-loan by PFIs shall have a maturity period of at least two (2) years for all working capital and at least three (3) years for all investment Sub-loans.
2. **Conditions of the Sub-loan to SMEs.** Each Sub-loan shall be provided on further conditions whereby the PFI shall obtain, by written contract with the SME or by other appropriate legal means, rights adequate to protect its interests and the interests of the Guarantor, the Bank, and the Borrower, including, *inter alia*, the right to:
- (a) require the SME to carry out and operate the facilities financed under the Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards, and in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of finance proceeds other than the Borrower, and to maintain adequate records;
  - (b) without limitation to the generality of the provisions of the preceding paragraph (a), require the SME to carry out and operate the Sub-project with due regard to applicable social impact, ecological, environmental and pollution control standards and in accordance with the provisions of the Operations Manual;
  - (c) require that goods, works, non-consulting services and consulting services to be financed out of the proceeds of the Sub-loan shall be used exclusively in the carrying out of the Sub-project;
  - (d) inspect, by itself or jointly with representatives of the Bank, the Borrower or the Guarantor, if the Bank or the Guarantor shall so request, such goods and the sites, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents;
  - (e) require that the SME take out and maintain with responsible insurers such insurance, against such risks and in such amounts,

as shall be consistent with sound business practice; and without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Sub-loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the SME to replace or repair such goods;

- (f) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the SME and to the benefits to be derived from the Sub-project;
- (g) require that, for all Sub-loans above a certain threshold amount, as specified in the Operations Manual, the respective SMEs shall:
  - (i) submit to the Borrower a cash flow statement in accordance with the Operations Manual;
  - (ii) have a ratio of financial obligation to equity (after receipt of the Sub-loan) as specified in the Operations Manual, except as the Bank and the Borrower may otherwise agree; and
  - (iii) provide a reasonable forecast of its revenues and expenditures showing that its net revenues for each fiscal year (during the term of the financial obligation to be incurred) shall be no less than the requirement specified in the Operations Manual, except as the Bank and the Borrower may otherwise agree; and
- (h) suspend and terminate the right of the SME to the use of the proceeds of the Sub-loan upon failure by such SME to perform any of its obligations under its contract with the PFI.

**D. *Approval Procedures for Sub-loan.***

- 1. Each Sub-loan shall be approved by the PFI on the basis of:
  - (i) a description of the SME and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan;
  - (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan;

- (iii) evidence of compliance with the Operations Manual and with the ESMF; and
  - (iv) such other information as the Bank or the Borrower shall reasonably request.
2. Unless otherwise agreed to by the Bank, the Borrower shall ensure that: (a) the first Sub-loan by each PFI, irrespective of size, shall be subject to the prior review and approval of the Bank; and (b) any Sub-loan to be provided to an SME in an amount exceeding the equivalent of USD 2,500,000 shall be subject to the prior review and approval of the Bank.

**ANNEX 2**  
**to**  
**SCHEDULE 2**

For the purposes of Section I.A.7 of this Schedule 2, in relation to the carrying out of Part 2 of the Project, the selection criteria of the beneficiary SMEs and LEs, the eligibility criteria for selecting Sub-projects, the terms and conditions for the Borrower's provision of Sub-loans to SMEs and LEs, and the procedures for approving Sub-projects, shall include those set forth below.

**I. Sub-loans to eligible beneficiaries under Part 2 of the Project.**

A. For the purposes of carrying out Part 2 of the Project, the Borrower shall:

1. (a) make Sub-loans to SMEs and LEs under Sub-loan Agreements to be entered into between the Borrower and, as relevant, an SME or an LE, on the terms and conditions set forth in the Operations Manual, including, without limitation, the terms and conditions set forth in Section II of Annex 1 to Schedule 2 to this Agreement, with the following modifications:

(i) all references to "PFI" shall be treated as references to "the Borrower";

(ii) references to "SME" and to "SMEs", other than those defining the term "SME", shall also include, respectively, references to "LE" and "LEs";

(iii) Section II.C.1 (a) and (b) shall be modified to read as follows:

"1. Except as the Bank shall otherwise agree, each Sub-loan shall be provided on terms, including those relating to the maturity, interest rate, markup, charges and/or fees, determined in accordance with the Borrower's investment and lending policies and practices, provided that:

(a) the interest rate, markup, charges and/or fees, in the aggregate, to be applied to the principal amount thereof withdrawn and outstanding from time to time, shall not be less than the rate payable under Section 2.05 of this Agreement plus (i) any

premium, charges and fees payable under this Agreement, (ii) the administrative costs of the Borrower, and (iii) a reasonable risk margin; and

- (b) each Sub-loan by the Borrower to SMEs and LEs to finance an Sub-project shall have a minimum maturity period of: (i) four (4) years for an Investment Sub-project, and (ii) two (2) years for a Working Capital Sub-project.”;

- (iv) Section C.2 (a) shall be modified to read as follows:

“2. ***Conditions of the Sub-loans to SMEs and LEs.*** Each Sub-loan shall be provided on further conditions whereby the Borrower shall obtain, by written contract with the SME or the LE, as the case may be, or by other appropriate legal means, rights adequate to protect its interests and the interests of the Guarantor and the Bank, including the right to:

- (a) require that (i) the Sub-loan for any individual Sub-project shall not exceed USD 3,500,000 equivalent for SMEs and USD 6,000,000 equivalent for LEs, and (ii) the aggregate amount of outstanding Sub-financing and Sub-loans to any one SME shall not exceed USD 6,000,000 equivalent, and the aggregate amount of outstanding Sub-loans to any one LE shall not exceed USD 10,000,000 equivalent, unless otherwise agreed to by the Bank”;

- (vii) Section D.2 shall be modified as follows:

“Unless otherwise agreed to by the Bank, the Borrower shall ensure that: (a) the first Sub-loan, irrespective of size, shall be subject to the prior review and approval of the Bank; and (b) any Sub-loan (i) to be provided to an SME in an amount exceeding the equivalent of USD 2,500,000, or (ii) an LE in an amount exceeding the

equivalent of USD 5,000,000, shall be subject to the prior review and approval of the Bank.”

- (b) exercise its rights and carry out its obligations under each Sub-loan Agreement in a manner acceptable to the Bank, and to protect its interests, and the interests of the Guarantor and the Bank; and
  - (c) not assign, amend, abrogate or waive any of its Sub-loan Agreements, or any provision thereof, without the prior approval of the Bank.
2. supervise, monitor and report on the carrying out of Sub-projects by SMEs and LEs, in accordance with the provisions of this Agreement and those of the Operations Manual.



**SCHEDULE 3**

**Commitment-Linked Amortization Repayment Schedule**

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

**Level Principal Repayments**

<b>Principal Payment Date</b>	<b>Installment Share</b>
On each April 15 and October 15 Beginning October 15, 2024 through October 15, 2046	2.17%
On April 15, 2047	2.35%

## APPENDIX

### Section I. Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “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.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “Category A Sub-projects” means Sub-projects which are likely to have significant adverse environmental or social impacts that are sensitive, diverse, or unprecedented and require a full environmental impact assessment pursuant to the provisions of the Operational Manual and the Environmental and Social Management Framework.
4. “Enterprises in Less Developed Sub-regions” means enterprises operating in the Less Developed Sub-regions of the Guarantor.
5. “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework prepared and adopted by the Borrower for the purposes of the Project dated March 6, 2018, acceptable to the Bank, describing: (a) the procedures, principles and guidelines to screen all Sub-projects proposed for financing under the Project; and (b) in case such screening shall reveal that a Sub-project may have any negative environmental or social impact, the procedures, principles and guidelines which shall be complied with in order to prepare an environmental/social assessment and to address the environmental/social impacts of such Sub-project through mitigation measures and/or an ESMP, as appropriate, as such framework may be amended from time to time with the prior agreement of the Bank.
6. “Environmental and Social Management Plan” or “ESMP” means any specific environmental and social management plan, satisfactory to the Bank, to be carried out by an SME or LE under a Sub-project, as may be required pursuant to the due observance of the Environmental and Social Management Framework by the Borrower, the PFIs and SMEs and LEs, and in accordance with the provisions of the respective Sub-loan Agreement or contract, as relevant, wherein shall have been defined specific details of measures to manage potential environmental and social risks and mitigate, reduce and/or offset adverse environmental and social impacts associated with the implementation of activities under the Sub-project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance

with, its terms, as the same such Environmental and Social Management Plan may be amended and supplemented from time to time, satisfactory to the Bank.

7. “Excluded Activities” means, collectively:
  - (a) any of the activities listed, or activities that produce and/or use materials listed, in the Operations Manual and which are classified and referred to as part of the negative list in said manual;
  - (b) an investment that is classified as a Category “A” Sub-project in accordance with the provisions of the Operations Manual;
  - (c) an investment that entails land acquisition that would involve Involuntary Resettlement;
  - (d) an investment that involves the potential use of, or discharge into, international waterways (or detailed design and engineering studies of such investment), as such waterways shall have been described more specifically in the Operations Manual; and
  - (e) an investment that involves the construction of a new dam or will rely on the performance of an existing dam or a dam under construction.
8. “Guarantor” means the Republic of Turkey.
9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated July 14, 2017, with the modifications set forth in Section II of this Appendix.
10. “Involuntary Resettlement” means any direct economic and social impact caused by: (a) the involuntary taking of land resulting in (i) relocation or loss of shelter, (ii) loss of assets or access to assets, and (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of such person.
11. “Least Developed Sub-regions” means the subset of Less Developed Sub-regions approved by the Bank and set forth in the Operations Manual that have been selected based on a composite index agreed to by the Bank.
12. “Less Developed Sub-regions” means the NUTS-II sub-regions approved by the Bank and set forth in the Operations Manual, selected based on a composite index agreed to by the Bank comprising the following five major socio-economic indicators for the Republic of Turkey: share of refugees in population; the socio-

economic development index; job quality index; unemployment rate; and female labor force participation rate.

13. “Large Enterprise” or “LE” means an enterprise that: (a) employs fewer than 1,500 employees if the enterprise is located in a Least Developed Sub-region, or employs fewer than 1,000 employees if it is located in any other sub-region; and (b) satisfies the appropriate criteria as set forth in Section I. of Annex 2 to Schedule 2 to this Agreement and the Operations Manual.
14. “Leasing Company” means an institution registered and operating as a leasing company under the Guarantor’s Financial Leasing, Factoring and Financing Company Law (Law No. 6361 published in the Official Gazette dated December 13, 2012, No. 28496, as amended) and other applicable laws and regulations of the Guarantor pertaining to leasing.
15. “NUTS II” means the Republic of Turkey’s sub-regions under its nomenclature of territorial units for statistics.
16. “Operations Manual” means the manual of the Borrower referred to in Section I.A.2 of Schedule 2 to this Agreement, adopted by the Borrower and satisfactory to the Bank, that sets forth the operational and administrative procedures in respect of the preparation, approval, processing, financing, implementation, and supervision of Sub-projects, and such manual includes the Environmental and Social Management Framework.
17. “Participating Financial Institution” or “PFI” means any or each Participating Bank or Leasing Company selected by the Borrower pursuant to the criteria set forth in Section I.A of Schedule 2 to this Agreement and the Operations Manual.
18. “Participating Bank” means an institution registered and operating as a bank under the Guarantor’s Banking Law (Law No. 5411 published in the Official Gazette dated November 1, 2005, No. 25983, as amended) and other applicable laws and regulations of the Guarantor pertaining to banking.
19. “Private Enterprise” means an enterprise in the territory of the Guarantor of which more than fifty percent (50%) of the shares or other equity interest thereof is held by persons or companies other than the Guarantor, any agency or subdivision thereof, or any local governmental authority, or entities controlled by the Guarantor or such agencies or subdivisions.
20. “Project Implementation Unit” or “PIU” means the Project implementation unit of the Borrower, referred to in Section I.A.1 of Schedule 2, or any legal successor to such unit.

21. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
22. "Small or Medium Enterprise" or "SME" means an enterprise that employs fewer than 250 employees, and that satisfies the appropriate criteria as set forth in Section I.A.2 of Schedule 2 to this Agreement and the Operations Manual.
23. "Sub-loan" means financing made or proposed to be made by: (a) a PFI to an SME beneficiary enterprise out of the proceeds of the Loan allocated from time to time to Category (1), for purposes of financing all or a portion of the expenditures incurred by an SME under a Sub-Project; or (b) the Borrower (under Part 2 of the Project) directly to a SME or LE beneficiary enterprise, out of the proceeds of the Loan allocated from time to time to Category (2), for purposes of financing all or a portion of the expenditures incurred by a beneficiary enterprise, all for goods, works, non-consulting services and consulting services under a Sub-project.
24. "Sub-loan Agreement" means an agreement entered or to be entered into between the Borrower and an SME or an LE for the purposes of Part 2 of the Project, pursuant to Section I.A.1 of Annex 2 to Schedule 2 to this Agreement.
25. "Sub-project" means a specific project, selected based on criteria satisfactory to the Bank, to be carried out by a beneficiary enterprise, in whole or in part through the utilization of the proceeds of any Sub-financing or Sub-loan.
26. "Subsidiary Financing" means any financing provided by the Borrower to a PFI pursuant to a Subsidiary Financing Agreement.
27. "Subsidiary Financing Agreement" means an agreement entered or to be entered into between the Borrower and a PFI pursuant to Section I.B.1 of Annex 1 to Schedule 2 to this Agreement.
28. "Syrians under Temporary Protection" or "SuTP" means the term as defined in Turkish Law No. 6458 on Foreigners and International Protection (2013) and Regulation No. 29153 on Temporary Protection of Syrians (2014), which provide Syrians under temporary protection access to registration and documentation and to services, including all Syrians who entered the country after April 27, 2011, and were retroactively placed under temporary protection.
29. "Türkiye Sınai Kalkınma Bankası A.S." or "TSKB" means Industrial Development Bank of Turkey, a joint-stock company established pursuant to the statutes published in Trade Registry Gazette No. 7046 dated June 2, 1950 (Trade Registry No. 42527).
30. "Women-inclusive Enterprise" means:

- (a) for the purposes of Part 1 of the Project, an enterprise:
  - (i) with at least one female shareholder with documented representative and managing powers, acceptable to the Bank; or
  - (ii) with at least one female holding a top executive or highest level corporate position in the company, or with at least twenty-five percent (25%) percent female representation in mid-level management (as such positions are further defined in the Operations Manual); or
  - (iii) employing a ratio of women that is higher than the average ratio observed in the respective sector; and
- (b) for the purposes of Part 2 of the Project, an enterprise that meets one or more of the following criteria:
  - (i) possession of a valid gender certification acceptable to the Bank; or
  - (ii) receipt of a minimum required gender toolkit score, as specified in the Operations Manual, and based on an assessment carried out by the Borrower, as determined to be acceptable to the Bank; or
  - (iii) commitment to implement a credible time-bound gender action plan that would result in achieving the minimum required score specified in the Operational Manual, carried out in accordance with the gender toolkit, and acceptable to the Bank.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 5.13 (Procurement) is deleted in its entirety and the remaining section in Article V is renumbered accordingly.
2. Paragraphs 84 (Procurement Plan) and 85 (Procurement Regulations) in the Appendix are deleted in their entirety and the subsequent paragraphs are renumbered accordingly.