
ESMAP GRANT NUMBER TF0C3974

**Energy Sector Management
Assistance Program
Grant Agreement**

(Accelerating the Market Transition for Distributed Energy Program)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

**acting as administrator of grant funds provided under the
Energy Sector Management Assistance Program**

and

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

ESMAP GRANT AGREEMENT

AGREEMENT dated as of the Signature Date between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”), acting as acting as administrator of the Energy Sector Management Assistance Program (“ESMAP”), and TÜRKİYE SINAİ KALKINMA BANKASI A.Ş., also known as Industrial Development Bank of Türkiye (“TSKB” or “Recipient”).

WHEREAS, in furtherance of the development objective of the program set forth in Schedule 1 of this Agreement (“Program”), TSKB expects to finance the Program as described below:

- (A) TSKB has requested the following loans and grant to assist in the financing of the Program:
- (i) a loan in an amount of three hundred million Euros (EUR 300,000,000) from the Bank to assist TSKB in financing Results Area 1 and Results Area 2.A of the Program, pursuant to the Loan Agreement; and pursuant to a guarantee agreement to be entered into between the Republic of Türkiye (“Guarantor”) and the Bank;
 - (ii) a grant in an amount of one million five hundred thousand Dollars (USD 1,500,000) (“ESMAP Grant”) from the Bank, acting as administrator of the Energy Sector Management Assistance Program (“ESMAP”), pursuant to this Agreement to be entered into between the Bank and TSKB (“ESMAP Grant Agreement”) to assist TSKB in the financing of Results Area 2.A of the Program; and
 - (iii) a concessional loan in an amount of fifteen million Dollars (USD 15,000,000) (“CTF Loan”) from the Bank, acting as an implementing entity of the Clean Technology Fund (“CTF”), pursuant to a loan agreement between the Bank and TSKB (“CTF Loan Agreement”) to assist TSKB in financing Results Area 2.B of the Program; and pursuant to a guarantee agreement to be entered into between the Guarantor and the Bank, acting as an implementing entity of CTF; and
- (B) TSKB intends to provide an approximate amount equivalent to fifty-three million one hundred twenty-five thousand Euros (EUR 53,125,000) as counterpart funds to assist in the financing of the Program.

WHEREAS, TSKB intends to jointly collaborate with Türkiye Kalkınma ve Yatırım Bankası A.Ş. (“TKYB”) in the recruitment, selection, and contracting of the Independent Verification Agent for the Program and in the credit facility activities under Results Area 2.A of the Program.

NOW, THEREFORE, the Recipient and the Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard 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 Standard Conditions or in the Appendix to this Agreement.

**Article II
The Program**

- 2.01. The Recipient declares its commitment to the objective of the program described in Schedule 1 to this Agreement (“Program”) and the MPA Program. To this end, the Recipient shall carry out the Program and cause the Program to be carried out in accordance with the provisions of Article II of the Standard Conditions and Schedule 2 to this Agreement.

**Article III
The Grant**

- 3.01. The Bank agrees to extend to the Recipient a grant in an amount not to exceed one million five hundred thousand Dollars (USD 1,500,000) (“Grant”) to assist in financing the Program.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Effectiveness; Termination

- 4.01. The Additional Condition of Effectiveness consists of the following:
- The IBRD Loan Agreement has been executed and delivered and all conditions precedent to the effectiveness of, or to the right of the Recipient to make withdrawals under, said IBRD Loan Agreement (other than the effectiveness of this Agreement) have been fulfilled.
- 4.02. The Additional Legal Matter consists of the following:
- This Agreement has been duly authorized or ratified by the Recipient and is legally binding upon the Recipient in accordance with its terms.
- 4.03. As part of the evidence to be furnished pursuant to Section 4.02, there shall be furnished to the Bank an opinion satisfactory to the Bank of counsel acceptable to the Bank or, if the Bank so requests, a certificate satisfactory to the Bank of a competent official of the Member Country, showing on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.
- 4.04. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.
- 4.05. Except as the Recipient and the Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 4.06. *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred twenty (120) days after the date of this Agreement, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Bank shall promptly notify the Recipient of such later date.

Article V
Recipient's Representative; Addresses

5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Executive Vice President.

5.02. For purposes of Section 7.01 of the Standard Conditions:

(a) the Recipient's address is:

Türkiye Sınai Kalkınma Bankası A.Ş.
Meclisi Mebusan Caddesi
No. 81
34427 Fındıklı
İstanbul
Turkey; and

(b) the Recipient's Electronic Address is:

Facsimile:

(90-212) 334-5234

6.03. For purposes of Section 7.01 of the Standard 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:

248423 (MCI) or
64145(MCI)

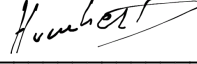
Facsimile:

1-202-477-6391

AGREED as of the Signature Date.

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**
acting as administrator of the
Energy Sector Management Assistance Program

By



Authorized Representative

Name: J. Humberto Lopez

Title: Country Director

Date: 16-May-2024

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

By



Authorized Representative

Name: Murat Bılgıç

Title: CEO

Date: 16-May-2024

By



Authorized Representative

Name: Ms. Meral Murathan

Title: Executive Vice President

Date: 16-May-2024

SCHEDULE 1

Program Description

The objective of the Program is to expand Türkiye’s distributed solar photovoltaic market and pilot distributed battery electricity storage to increase renewable energy.

The Program constitutes a phase of the MPA Program, and consists of the following activities:

Results Area 1: Scaling-up distributed solar photovoltaic (“DSPV”).

Provision of sub-loans (“DSPV Sub-loans”) directly to eligible beneficiary sub-borrowers (“DSPV Sub-borrowers”) to design, supply and install eligible DSPV systems (“DSPV Subprojects”).

Results Area 2: Expanding the market and promoting innovation for distributed energy, including battery energy storage systems (“BESS”).

- A. Establishment and operation of a credit facility by the Recipient to provide loans (“Facility Loans”) to select firms (“Facility Borrowers”) to on-lend sub-loans (“Facility Sub-loans”) to eligible beneficiary sub-borrowers (“Facility Sub-borrowers”) for DSPV Subprojects.
- B. Provision of sub-loans (“BESS Sub-loans”) directly to eligible beneficiary sub-borrowers (“BESS Sub-borrowers”) to design, supply, and install eligible distributed BESS (“BESS Subprojects”).

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Institutions

1. Unless otherwise expressly agreed to by the Bank, the Recipient shall maintain, throughout the Program implementation period, within the Recipient's regular administrative system, a Program team, with terms of reference, composition and resources satisfactory to the Bank for the implementation of the Program, responsible for, *inter alia*, day-to-day Program management, coordination and monitoring of the Program's progress, and composed of representatives set forth in the Program Operational Manual ("POM"); and
2. The Recipient shall, throughout the implementation of the Program, comply with the applicable prudential regulations of the Republic of Türkiye.

B. Program Action Plan

1. The Recipient shall:
 - (a) carry out the Program Action Plan, and cause the Program Action Plan to be carried out, in accordance with the schedule set out in the said Plan and in a manner satisfactory to the Bank.
 - (b) not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, the Program Action Plan, or any provision thereof, except as the Bank and the Recipient may otherwise agree in writing; and
 - (c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines satisfactory to the Bank, the implementation of the Program Action Plan.
2. In case of any inconsistencies between the Program Action Plan and the provisions of this Agreement, the provisions of this Agreement shall prevail.

C. Program Operational Manual

1. The Recipient shall maintain a Program Operational Manual ("POM") in form and substance satisfactory to the Bank, and thereafter ensure that the Program is maintained and carried out in accordance with the provisions set forth in the POM, including ensuring adherence by the DSPV Sub-borrowers, BESS Sub-borrowers,

and Facility Borrowers (which shall include causing the respective Facility Sub-borrowers' adherence to the POM).

2. Said POM shall set forth the institutional, administrative, financial, technical, and operational guidelines and procedures for the implementation of the Program, including, *inter alia*:
 - (a) the Program Action Plan;
 - (b) for the implementation of Results Area 2.A of the Program, (i) the terms of reference and minimum requirements for the awareness and outreach workshops to be provided to potential Facility Borrowers to increase firms' awareness of the credit facility for DSPV Subprojects under Results Area 2.A ("Awareness and Outreach"), and (ii) the terms of reference and minimum requirements for the training to be provided to potential and selected Facility Borrowers to build their capacity to participate in the said facility activities ("Facility Training Curriculum");
 - (c) the Program fiduciary, procurement, environmental and social systems;
 - (d) the Verification Protocol agreed with the Bank for evaluating the achievement of the DLIs and their respective DLRs;
 - (e) the terms of reference and required qualifications for the Independent Verification Agent;
 - (f) the requirements and standards specified in this Agreement to prevent the use or engagement of forced labor in any Program activities, and in particular, in carrying out any solar investments under the Program; and
 - (g) the protocols to ensure compliance with the Anti-corruption Guidelines, including application of the Anti-Corruption Guidelines to and compliance by DSPV Sub-borrowers, BESS Sub-borrowers, Facility Borrowers and Facility Sub-borrowers; said protocols shall include operational arrangements to handle allegations, information, and investigations related to fraud and corruption.
3. Except as the Bank may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, waive, or otherwise fail to enforce the POM or any provision thereof. In case of any conflict between the terms of the POM and this Agreement, the provisions of this Agreement shall prevail.

D. Verification Arrangements

1. The Recipient shall, in coordination with TKYB, contract, not later than ninety (90) days after the Effective Date, and thereafter maintain, throughout Program implementation, a competitively selected, third-party, independent verification agent or agency with assigned verification agents that have experience and qualifications and terms of reference acceptable to the Bank (“Independent Verification Agent”) to undertake the DLR verification process referred to in paragraph 2 below.
2. The Recipient shall ensure that the Independent Verification Agent shall: (a) verify the data and other evidence supporting the achievement of one or more DLRs set forth in Section IV.A.2 of this Schedule, and recommend corresponding payments to be made, as applicable, in accordance with the Verification Protocol; and (b) submit to the Recipient the corresponding verification reports in a timely manner and in form and substance satisfactory to the Bank.

Section II. Excluded Activities

- A. The Recipient shall ensure that the Program excludes any activities that:
1. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
 2. involve the procurement of: (a) works, estimated to cost one hundred fifteen million Dollars (USD 115,000,000) equivalent or more per contract; (b) goods, estimated to cost seventy-five million Dollars (USD 75,000,000) equivalent or more per contract; (c) non-consulting services, estimated to cost seventy-five million Dollars (USD 75,000,000) equivalent or more per contract; or (d) consulting services, estimated to cost thirty million Dollars (USD 30,000,000) equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation

A. Program Reports

The Recipient shall ensure that each Program Report is furnished to the Bank not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article III of the Standard Conditions, this Section, and such additional instructions as the Bank may specify from time to time by notice to the Recipient to finance Program Expenditures (inclusive of Taxes), on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Recipient, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”); all as set forth in the table in paragraph 2 of this Part A.
2. The following table specifies each category of withdrawal of the proceeds of the Grant (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Grant to each Category:

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Grant Allocated (expressed in USD)
Results Area 2: Expanding the market and promoting innovation for distributed energy		
(1) DLI #3: Increase eligible institutions’ awareness of and capacity to participate in the facility for DSPV Subprojects under Results Area 2.A		DLI # 3: USD 1,500,000 Split as set forth below
	DLR #3.1 (Scalable): Awareness and Outreach delivered (in accordance with terms of reference specified in the POM, as described in Section 1.C.2 (b) of this Schedule) to potential Facility Borrowers on the credit facility for DSPV Subprojects under Results Area 2.A, with a collective TSKB and TKYB target of a minimum of ten (10) potential Facility Borrowers	USD 150,000 for each potential Facility Borrower to which Awareness and Outreach is delivered jointly or individually by the Recipient and/or TKYB, and documented in a results report prepared jointly or individually by the Recipient and/or TKYB, up to USD 1,500,000
TOTAL AMOUNT		USD 1,500,000

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) on the basis of DLRs achieved prior to the Signature Date; and/or
 - (b) for any DLR under Category (1), until and unless the Recipient has furnished evidence satisfactory to the Bank that said DLR has been achieved; and
2. Notwithstanding the provisions of Part B.1(b) of this Section, if any of the DLRs under Category (1) has not been achieved by the date by which the said DLR is set to be achieved (or such later date as the Bank has established by notice to the Recipient), the Bank may, by notice to the Recipient: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Grant then allocated to said Category which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the following formula set out in the table at paragraph 2 of Part A to this Schedule; (b) reallocate all or a portion of the proceeds of the Grant then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Grant then allocated to said DLR.
3. The Closing Date is February 28, 2027.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 2 of the Appendix to the Standard Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing,” dated February 1, 2012 and revised July 10, 2015.
2. “Awareness and Outreach” means the awareness building and outreach activities to potential Facility Borrowers specified in the POM as described in Schedule 2, Section I.C.2(b), to this Agreement.
3. “BESS” means battery energy storage systems.
4. “BESS Sub-borrower” means a party (determined eligible under the POM) that receives a BESS Sub-loan from the Recipient to finance a BESS Subproject under Results Area 2.B; “BESS Sub-borrowers” means collectively all such sub-borrowers.
5. “BESS Sub-loan” means a sub-loan extended by the Recipient to a BESS Sub-borrower to finance a BESS Subproject under Results Area 2.B; “BESS Sub-loans” means collectively all such sub-loans.
6. “BESS Subproject” means the type of subproject described in Results Area 2.B; “BESS Subprojects” means collectively all such subprojects.
7. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
8. “Commercial Bank” means a legal entity 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.
9. “CTF” means Clean Technology Fund.
10. “CTF Loan” means the concessional loan provided under the CTF Loan Agreement and referred to in the preamble of this Agreement.
11. “CTF Loan Agreement” means the loan agreement between TSKB and the World Bank, acting as an implementing entity for the CTF, for the Program, as such CTF Loan Agreement is referred to in the preamble of this Agreement, and as such may be amended from time to time; “CTF Loan Agreement” includes the Standard Conditions referenced therein, and all appendices, schedules, and agreements.

12. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement; “Disbursement Linked Indicators” or “DLIs” means collectively all such disbursement linked indicators.
13. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Grant allocated to said result may be withdrawn in accordance with the provisions of said Section IV; “Disbursement Linked Results” or “DLRs” means collectively all such disbursement linked results.
14. “DSPV” means distributed solar photovoltaic.
15. “DSPV Sub-borrower” means a party (determined eligible under the POM) that receives a DSPV Sub-loan from TSKB to finance a DSPV Subproject under Results Area 1; “DSPV Sub-borrowers” means collectively all such sub-borrowers.
16. “DSPV Sub-loan” means a sub-loan extended by TSKB to DSPV Sub-borrowers to finance DSPV Subprojects under Results Area 1; “DSPV Sub-loans” means collectively all such sub-loans.
17. “DSPV Sub-loan Agreement” means a sub-loan agreement between TSKB and a DSPV Sub-borrower to finance a DSPV Subproject under Results Area 1; “DSPV Sub-loan Agreements” means collectively all such sub-loan agreements.
18. “DSPV Subproject” means the type of subproject described in Results Area 1 and Results Area 2.A; “DSPV Subprojects” means collectively all such subprojects.
19. “ESMAP” means the Energy Sector Management Assistance Program.
20. “Facility Borrower” means a select Commercial Bank, Leasing Company, Distribution Company, or other type of institution eligible under the laws of Türkiye to lend as specified in the Facility Operational Manual, that meets the eligibility criteria specified in the Facility Operational Manual for receiving a Facility Loan to on-lend to a Facility Sub-borrower; “Facility Borrowers” means collectively all such borrowers.
21. “Facility Loan” means a loan extended by TSKB to a Facility Borrower under Results Area 2.A; “Facility Loans” means collectively all such loans.
22. “Facility Operational Manual” means the manual prepared and adopted by TSKB and TKYB to implement the credit facility under Results Area 2.A activities.

23. “Facility Sub-borrower” means a party (determined eligible under the requirements set forth in the POM) that receives a Facility Sub-loan from a Facility Borrower for a DSPV Subproject under Results Area 2.A; “Facility Sub-borrowers” means collectively all such sub-borrowers.
24. “Facility Sub-loan” means a sub-loan financed under a Facility Loan and extended by a Facility Borrower to a Facility Sub-borrower for a DSPV Subproject under Results Area 2.A; “Facility Sub-loans” means collectively all such sub-loans.
25. “Facility Training Curriculum” means the training curriculum to be provided to firms and Facility Borrowers, the terms of reference for said curriculum specified in the POM as described in Schedule 2, Section I.C(2)(b) to this Agreement.
26. “Guarantor” means the Republic of Türkiye.
27. “IBRD Loan” means the loan provided by the IBRD referenced in the preamble of this Agreement.
28. “IBRD Loan Agreement” means the loan agreement between TSKB and the IBRD as such IBRD Loan Agreement is referred to in the preamble of this Agreement, and as such may be amended from time to time; “IBRD Loan Agreement” includes the General Conditions referenced therein, and all appendices, schedules, and agreements.
29. “Independent Verification Agent” means the competitively selected, independent consultant to be selected and appointed in accordance the provision of Schedule 2, Section I.D, to this Agreement by the Recipient and TKYB for the purposes of certifying the achievement of DLIs and DLRs.
30. “Leasing Company” means a legal entity participating that is 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.
31. “MPA Program” means the multiphase programmatic approach program designed to increase renewable energy capacity in participating countries of the Europe and Central Asia region.
32. “Program Action Plan” means the Recipient’s plan dated January 19, 2024, and referred to in Schedule 2, Section I.B, to this Agreement, agreed between the Recipient and the Bank, which details the gaps identified during the Recipient’s system assessment, including, *inter alia*, financial management, procurement, and environmental and social matters, attached to the POM, as may be amended from time to time with the agreement of the Bank.

33. “Program Operational Manual” or “POM” means the Recipient’s manual referred to in Schedule 2, Section I.C to this Agreement, as the same may be amended from time to time with the agreement of the Bank.
34. “Results Area” means the respective areas of activity described in Schedule 1 to this Agreement.
35. “Signature Date” means the later of the two dates on which the Recipient and the Bank signed this Agreement and such definition applies to all references to “the date of the Grant Agreement” in the Standard Conditions.
36. “Standard Conditions” means the “International Bank for Reconstruction and Development and International Development Association Standard Conditions for Program-for-Results Financing Made by the Bank out of Trust Funds,” dated December 14, 2019.
37. “Türkiye Kalkınma ve Yatırım Bankası A.Ş.” or “TKYB” means the development and investment bank of the Republic of Türkiye, also known as Development and Investment Bank of Türkiye, established pursuant to Law No. 7147, published in the Guarantor’s Official Gazette No. 30575, dated October 24, 2018 (Trade Registry No. 1988985), or any legal successor or successors thereto, acceptable to the Bank.
38. “Türkiye Sınai Kalkınma Bankası A.Ş.” or “TSKB” means Industrial Development Bank of Türkiye, a joint-stock company established pursuant to the statutes published in Trade Registry Gazette No. 7046 dated June 2, 1950 (Trade Registry No. 42527), or any legal successor or successors thereto acceptable to the World Bank for the purposes of the Program.
39. “Verification Protocol” means the protocol agreed upon by the Bank and the Recipient to verify the data and other evidence supporting the achievement of one or more DLRs as specified in the Program Operational Manual. Such protocols may be modified from time to time with the agreement of the Bank.