
LOAN NUMBER 9579-TR

Loan Agreement

**(Türkiye Post-Earthquake Micro, Small and Medium
Enterprises (MSME) Recovery Project)**

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

**SMALL AND MEDIUM ENTERPRISES DEVELOPMENT
ORGANIZATION OF TÜRKİYE
(KOSGEB)**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ORGANIZATION OF TÜRKİYE, also known as *Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı* or KOSGEB (“Borrower” or “KOSGEB”). 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 fifty million Dollars (USD 450,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project, as the project is 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 March 15 and September 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, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Borrower has properly established and staffed its Project Implementation Unit, with positions, terms of reference, and qualified staff acceptable to the Bank; and
 - (b) the Borrower has adopted a Project Operations Manual, which shall include a Reimbursable Financing Manual, in form and substance satisfactory to the Bank.
- 4.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is its President.
- 5.02. For purposes of Section 10.01 of the General Conditions:
- (a) the Borrower's address is:

T.C. Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve
Destekleme İdaresi Başkanlığı
Hacı Bayram Mah. İstanbul Cad. No: 32
06050 Ulus / Altındağ / Ankara
Republic of Türkiye; and

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

Facsimile:

90-312-368-07-15.

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.

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: J. Humberto Lopez

Title: Country Director

Date: 27-Jul-2023

**SMALL AND MEDIUM ENTERPRISES DEVELOPMENT
ORGANIZATION OF TÜRKİYE (KOSGEB)**

By



Authorized Representative

Name: Mr. Hasan Basri Kurt

Title: President

Date: 01-Aug-2023

SCHEDULE 1

Project Description

The objective of the Project is to support business continuity and sustainable growth of viable Micro, Small and Medium Enterprises (“MSMEs”) in the Earthquake-affected Provinces.

The Project consists of the following parts:

Part 1. Performance-based Reimbursable Financing for eligible MSMEs

Provision of Reimbursable Financing to eligible MSMEs in Earthquake-affected Provinces to assist in the financing of MSME Operating Expenses.

Part 2. Technical support to the KOSGEB Project Implementation Unit

Support of the Borrower’s Project Implementation Unit (through the provision of goods, consulting services, non-consulting services, and Operating Costs) to manage Project implementation, including Project monitoring and evaluation, and recruitment of required technical experts to manage Project activities.

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 Project, to the satisfaction of the Bank:
 - (a) operationalize and maintain a Project Implementation Unit (“PIU”), with terms of reference, staffing and budgetary resources necessary and appropriate to, in the Bank’s opinion, effectively carry out Project; and
 - (b) ensure the PIU satisfactorily carries out the following responsibilities, as may be further detailed in the Project Operations Manual (“POM”):
 - (i) overseeing the management and broad implementation of the Project;
 - (ii) maintaining the Reimbursable Financing activities under the Project, including the selection of qualified beneficiary MSMEs, all in compliance with the criteria and terms set forth in this Agreement and the Reimbursable Financing Manual;
 - (iii) ensuring the beneficiary MSMEs’ compliance with the relevant terms of this Agreement (including the Bank’s fiduciary and environmental and social requirements), the Reimbursable Financing Manual, and the respective Reimbursable Financing Agreements, as a condition for the MSMEs’ receipt of the Reimbursable Financing; and
 - (iv) carrying out the monitoring, evaluation and reporting requirements for the Project.

B. Project Operations Manual.

1. The Borrower shall maintain, throughout the implementation of Project, the POM, in substance and manner acceptable to the Bank, which shall include, *inter alia*:
 - (a) a detailed description of the Project and the prospective timetable and benchmarks in relation thereto;

- (b) the parties responsible for carrying out the Project and the coordination arrangements between the relevant parties;
 - (c) the detailed policies, procedures, guidelines and standard documents relating to the implementation of the Project (including the Reimbursable Financing Manual for the implementation of Part 1 of the Project), which shall include the detailed description of program, the criteria and methodology for targeting beneficiaries, including communication and outreach activities to target female-led and/or female-owned MSMEs, differentiated loan terms, and arrangements for carrying out the annual surveys to measure the satisfaction of beneficiaries (which shall be gender-disaggregated);
 - (d) the environmental and social obligations and arrangements for the Project, consistent with the Environmental and Social Standards (“ESS”), and incorporating the requirements set forth under Section I.D of this Schedule 2, the Environmental and Social Commitment Plan, and the Borrower’s Environmental and Social Instruments;
 - (e) the financial management arrangements, requirements and detailed procedures consistent with the provisions of Section 5.09 of the General Conditions;
 - (f) the guidelines and procedures for procurement consistent with the provisions of the Procurement Regulations;
 - (g) the requirements of the Anti-Corruption Guidelines; and
 - (h) the requirements and procedures for monitoring, evaluations, reporting, and communications, including specifically, the frequency and content of environmental and social monitoring reports for the Project.
2. The Borrower shall carry out the Project, and cause the Project to be carried out, in accordance with the arrangements, procedures and guidelines set forth in the POM, provided, however, that in case of any conflict between the arrangements and procedures set out in the POM, including the Reimbursable Financing Manual, and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. The POM, and any provision thereof, including the Reimbursable Financing Manual, shall not be assigned, amended, abrogated or waived, nor shall any provision thereof be permitted to be assigned, amended, abrogated or waived, without the prior written consent of the Bank; the POM may only be amended in consultation with, and after the approval of, the Bank.

C. Reimbursable Financing.

1. In carrying out Part 1 of the Project, the Borrower shall:
 - (a) extend Reimbursable Financing, on a *first come, first served* basis, to MSMEs that qualify in accordance with the relevant eligibility criteria and terms and conditions set forth in Section I.C.3 of this Schedule, and as such criteria, terms and conditions may be further detailed in the Reimbursable Financing Manual;
 - (b) determine the amount of Reimbursable Financing to be extended to qualifying MSMEs based on criteria and the Reimbursable Financing limits acceptable to the Bank, as set forth below and detailed in the Reimbursable Financing Manual, unless otherwise previously agreed to by the Bank and incorporated in the said manual:
 - (i) Of the Loan amount allocated for Reimbursable Financing under this Project, ten percent (10%) shall be allotted to women-owned or women-led MSMEs.
 - (ii) Group 1 MSMEs. For MSMEs in the regions of Adıyaman, Hatay, Kahramanmaraş, Malatya, Nurdağı, and İslahiye (collectively referred to as “Group 1 MSMEs”):
 - (A) that have sustained income loss only:
 - (1) for a Micro Enterprise: maximum TRY 120,000;
 - (2) for a Small Enterprise: maximum TRY 180,000; and
 - (3) for a Medium Enterprise: maximum TRY 240,000;
 - (B) that have sustained slight damage to the MSME facility(ies):
 - (1) for a Micro Enterprise: maximum TRY 180,000;
 - (2) for a Small Enterprise: maximum TRY 270,000; and
 - (3) for a Medium Enterprise: maximum TRY 360,000;
 - (C) that have sustained moderate damage to the MSME facility(ies):

- (1) for a Micro Enterprise: maximum TRY 200,000;
 - (2) for a Small Enterprise: maximum TRY 300,000; and
 - (3) for a Medium Enterprise: maximum TRY 400,000; and
- (D) that have sustained heavy damage to the MSME facility(ies):
- (1) for a Micro Enterprise: maximum TRY 250,000;
 - (2) for a Small Enterprise: maximum TRY 375,000; and
 - (3) for a Medium Enterprise: maximum TRY 500,000.
- (iii) Group 2 MSMEs. For MSMEs in the regions of Adana, Diyarbakır, Elazığ, Kilis, Osmaniye, Sanlıurfa, and Gaziantep (except Nurdağı and İslahiye) (collectively referred to as “Group 2 MSMEs”):
- (A) that have sustained slight damage to the MSME facility(ies):
- (1) for a Micro Enterprise: maximum TRY 150,000;
 - (2) for a Small Enterprise: maximum TRY 225,000; and
 - (3) for a Medium Enterprise: maximum TRY 300,000;
- (B) that have sustained moderate damage to the MSME facility(ies):
- (1) for a Micro Enterprise: maximum TRY 180,000;
 - (2) for a Small Enterprise: maximum TRY 270,000; and
 - (3) for a Medium Enterprise: maximum TRY 360,000; and
- (C) that have sustained heavy damage to the MSME facility(ies):

- (1) for a Micro Enterprise: maximum TRY 200,000;
 - (2) for a Small Enterprise: maximum TRY 300,000; and
 - (3) for a Medium Enterprise: maximum TRY 400,000.
2. The Borrower shall determine the damage referred to in paragraph 1(b) above based on the data collected and managed by the Ministry of Environment, Urbanization and Climate Change assessing the degree of damages to firms and households.
3. Eligibility and Selection Criteria. Unless otherwise expressly agreed to by the Bank and incorporated in the Reimbursable Financing Manual, the Borrower shall have determined to the satisfaction of the Bank that each MSME has satisfactorily established, and continue to maintain during the duration of its receipt of the Reimbursable Financing the following conditions:
 - (a) Eligible MSMEs. Qualifying enterprises shall:
 - (i) be MSMEs, evidenced by the respective enterprises' registration in the KOSGEB database, the MSME's declarations to KOSGEB, and official data drawn from the Revenue Administration and the Social Security Institution;
 - (ii) be financially viable, evidenced by: (A) minimum annual sales of TRY 75,000 or more in year 2022, verified by data from the Revenue Administration; and (B) no overdue tax and social security contributions at the time of the payment of the Reimbursable Financing;
 - (iii) be privately-owned MSMEs across all sectors; and
 - (iv) have been negatively impacted by the February 2023 Earthquakes in terms of income losses and/or physical damage as categorized below:
 - (A) Group 1 MSMEs: Group 1 MSMEs shall have sustained physical damage to the MSME facility(ies) from the February 2023 Earthquake or income loss; in the event of income loss, each such MSME shall have sustained income loss of at least thirty percent (30%) comparing the respective MSME's nominal monthly revenue in February 2023 and the said MSME's monthly revenue in January 2023, to qualify for Reimbursable Financing under this Project; and

(B) Group 2 MSMEs: Group 2 MSMEs shall have sustained physical damage to the MSME facility(ies) from the February 2023 Earthquake to qualify for Reimbursable Financing under this Project.

(b) *Eligible Expenses*. Qualifying MSME Operating Expenses, acceptable to the Bank, shall be defined in the Reimbursable Financing Manual, including the respective MSME's reasonable costs for employee salaries, supplies, services, rent, and utilities that directly support the respective MSME's operation; said expenses shall not involve Excluded Activities, as defined in the Appendix to this Agreement.

4. Approval Procedures for Reimbursable Financing.

(a) The Borrower shall approve MSMEs' applications for Reimbursable Financing on the basis of:

- (i) a determination of eligibility of the MSME;
- (ii) evidence of compliance with the relevant requirements set forth in the Reimbursable Financing Manual, in line with those specified in this Agreement; and
- (iii) such other information as the Bank shall reasonably request.

(b) The Borrower shall determine the beneficiary MSME's compliance with all necessary requirements at the time of Reimbursable Financing approval.

(c) Unless otherwise agreed to by the Bank, the Borrower shall provide to the Bank for prior approval the first ten (10) MSME applications proposed for Reimbursable Financing.

(d) All Reimbursable Financing extended under the Project may be subject to ex-post review by the Bank to verify compliance with the requirements set forth in this Agreement and the Reimbursable Financing Manual.

5. Terms and Conditions for Reimbursable Financing – Reimbursable Financing Agreement.

(a) Reimbursable Financing shall be provided on terms and conditions acceptable to the Bank, as specified in the Reimbursable Financing Manual, including the terms and conditions relating to maturity and repayment, and such additional terms and conditions as specified in paragraphs 5(b) below; said terms and conditions shall not be modified

unless previously approved in writing by the Bank and thereafter incorporated in the Reimbursable Financing Manual by the Borrower.

(b) Performance-based conditions and repayment terms. The Borrower shall extend the Reimbursable Financing to MSMEs under this Project with performance-based conditions and repayment terms as set forth below:

(i) For Group 1 MSMEs:

(A) The beneficiary MSME shall commit to (1) re-open its operations or have its operations remain open, and (2) restore or exceed the employment at the level of when the MSME makes its commitment for employment under the Reimbursable Financing Agreement, and sustain that level for at least six months following the MSME's receipt of the Reimbursable Financing;

(B) By satisfactorily meeting the conditions set forth in paragraph 5(b)(i)(A) above, the beneficiary MSME shall have up to a two-year grace period, starting the time of receiving the Reimbursable Financing, to repay the Reimbursable Financing received, repaying in three installments over a 12-month period, with no interest charged on the Reimbursable Financing received; and

(C) In the event a beneficiary MSME fails to meet the conditions set forth in paragraph 5(b)(i)(A) above, the Borrower shall properly exercise the terms of the Reimbursable Financing Agreement to require the MSME to begin repayment of the received Reimbursable Financing at the end of the six-month period referred to in paragraph (i)(A) above, in accordance with such repayment schedule and terms as set forth in the Reimbursable Financing Manual determined to be reasonable and acceptable by the Bank.

(ii) For Group 2 MSMEs:

(A) The beneficiary MSME shall commit to (1) re-open its operations or have its operations remain open, and (2) restore or exceed the average employment level of the MSME recorded in the 12-month period preceding the February

2023 Earthquakes, at the end of 24 months following the MSME's receipt of the Reimbursable Financing;

- (B) By satisfactorily meeting the conditions set forth in paragraph 5(b)(ii)(A) above, the beneficiary MSME shall have up to a two-year grace period, starting at the time of receiving the Reimbursable Financing, to repay the Reimbursable Financing received, repaying in three installments over a 12-month period, with no interest charged on the Reimbursable Financing received; and
 - (C) In the event a beneficiary MSME fails to meet the conditions set forth in paragraph 5(b)(ii)(A) above, the Borrower shall properly exercise the terms of the Reimbursable Financing Agreement to require the MSME to begin repayment of the received Reimbursable Financing at the end of the 24-month period referred to in paragraph 5(b)(ii)(A), in accordance with such repayment schedule and terms as set forth in the Reimbursable Financing Manual determined to be reasonable and acceptable by the Bank.
- (c) Reimbursable Financing Agreement. The Borrower shall obtain a written agreement ("Reimbursable Financing Agreement") with each beneficiary MSME that sets forth the terms and conditions for the Reimbursable Financing acceptable to the Bank, and rights adequate to protect the interests of the Borrower and the interests of the Bank and the Guarantor; said terms and conditions shall include requiring the MSME beneficiary to:
- (i) carry out and operate the facilities benefiting from the Reimbursable Financing with due diligence and efficiency, in accordance with (A) sound technical, financial, and managerial standards (including in respect to the maintenance of adequate records), (B) applicable environmental and social impact standards consistent with the requirements set forth in this Agreement and the Environmental and Social Commitment Plan and the Borrower's Environmental and Social Instruments, (C) the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower, and (D) all other relevant provisions of the Reimbursable Financing Manual;
 - (ii) use all Reimbursable Financing exclusively for the financing of eligible MSME Operating Expenses in accordance with this Agreement and detailed in the Reimbursable Financing Manual;

- (iii) 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 Reimbursable Financing to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the beneficiary to replace or repair such goods;
 - (iv) provide the Borrower with the right to inspect, by itself or jointly with representatives of the Bank and/or the Guarantor, if the Bank and/or the Guarantor shall so request, the beneficiary sites and expenditures financed by the Reimbursable Financing, the operation thereof, and any relevant records and documents;
 - (v) prepare and furnish to the Bank and/or the Guarantor all such information as the Bank and/or the Guarantor shall reasonably request, relating to the foregoing and to the administration, operations and financial condition of the beneficiary MSME and to the benefits to be derived from the Reimbursable Financing; and
 - (vi) reserve the Borrower's right to suspend and terminate the right of the beneficiary MSME to the use of the proceeds of the Reimbursable Financing, and the right to obtain a refund of all or any part of the Reimbursable Financing, upon the beneficiary MSME's failure to perform any of its obligations under the Reimbursable Financing Agreement.
- (d) The activities of the beneficiary MSMEs shall be in compliance with this Agreement, the ESCP and all other environmental and social instruments and procedures required under the ESCP, in line with the Environmental and Social Standards, and approved by the Bank, and shall not support or include any Excluded Activities.

D. Environmental and Social Standards.

1. The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Borrower shall ensure that:

- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Borrower shall ensure that:
- (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including, explosions, spills, and any workplace accidents that result in death, serious or multiple injury, pollution, or any violent labor unrest or dispute between the Borrower or security forces (assigned to protect Project) and local communities, any case of sexual exploitation and abuse, sexual harassment and violence against minors, or any incidents in or related to any waterways as defined and applicable under World Bank Operational Policy 7.50 or disputed areas, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Borrower shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and

appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

6. The Borrower shall ensure that all bidding documents and contracts for civil works under Project include the obligation of contractors, and subcontractors and supervising entities to: (a) comply with the relevant aspects of the ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

E. Annual Work Plan and Budget

1. The Borrower shall:
 - (a) prepare and furnish to the Bank not later than December 15th of each year during the implementation of the Project, a proposed Annual Work Plan and Budget containing: (i) all activities to be carried out under the Project during the following year; and (ii) a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing;
 - (b) afford the Bank a reasonable opportunity to exchange views on each such proposed Annual Work Plan and Budget, and shall thereafter ensure that the Project is implemented with due diligence during said following year, in accordance with such Annual Work Plan and Budget as shall have been approved by the Bank; and
 - (c) not make or allow to be made any change to the approved Annual Work Plan and Budget without the Bank's prior written approval.

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 the 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 the Front-end Fee, in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Reimbursable Financing for MSME Operating Expenses under Part 1 of the Project	447,875,000	100%
(2) Goods, non-consulting services, consulting services, and Operating Costs under Part 2 of the Project	1,000,000	100%
(3) Front End Fee	1,125,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	450,000,000	

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 USD 45,000,000 may be made for payments made prior to this date but on or after May 1, 2023, for Eligible Expenditures under Categories (1) and (2), comprising USD 44,900,000 million for Eligible Expenditures under Category (1), and USD 100,000 for Eligible Expenditures under Category (2).
2. The Closing Date is June 30, 2025.

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

Principal Payment Date	Installment Share
On each March 15 and September 15 Beginning September 15, 2028 through March 15, 2033	9.09%
On September 15, 2033	9.10%

APPENDIX

Definitions

1. “Annual Work Plan and Budget” means the annual work plan and budget referred to in Schedule 2, Section I.E, to this Agreement.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 6 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.
3. “Category” means a category set forth in the table in Schedule 2, Section III.A, to this Agreement.
4. “Earthquake-affected Provinces” means the eleven provinces of the Republic of Türkiye that sustained the greatest damages in the February 2023 Earthquakes, namely the provinces of Adana, Adiyaman, Diyarbakir, Elazığ, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Osmaniye, and Şanlıurfa (and any additional earthquake-affected areas that may be agreed to by the Bank in writing for the Project, pursuant to a request of the Borrower, as may be justified by government data).
5. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated June 7, 2023, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
6. “Environmental and Social Instruments” means the Borrower’s environmental and social documents for the Project required under the Bank’s Environmental and Social Framework and referred to in the Environmental and Social Commitment Plan.
7. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land

Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; said ESSs that became effective on October 1, 2018, as published by the Bank.

8. “Excluded Activities” means, collectively:
 - (a) any of the activities listed, or activities that produce and/or use materials listed, in the World Bank Group/International Finance Corporation Exclusion List (see https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist), and such other activities and/or materials listed in the POM and which are classified and referred to as part of the negative list in said manual;
 - (b) activities classified as a high or substantial risk, in respect to potential environmental and social impacts, in accordance with the provisions of the POM;
 - (c) activities that: involve Land Acquisition, Restrictions on Land Use, or Involuntary Resettlement (as defined under ESS 5); that impacts Biodiversity Conservation and Sustainable Management of Living Natural Resources (as defined under ESS 6); that impacts Cultural Heritage (as defined under ESS 8); or that involves child or forced labor;
 - (d) an investment that involves the potential use of, or discharge into, any waterways as defined and applicable under World Bank Operational Policy 7.50 (or detailed design and engineering studies of such investment), as such waterways shall have been described more specifically in the POM;
 - (e) activities that involve the construction of a new dam or will rely on the performance of an existing dam or a dam under construction; and
 - (f) activities that involve any other exclusions agreed by the Bank and the Borrower and set forth in the POM.
9. “February 2023 Earthquakes” means, for the purpose of this Project, the earthquakes that hit southeast Türkiye on February 6, 2023, of magnitude 7.8 and 7.5, and the aftershocks, and the earthquake that took place on February 20, 2023, of magnitude 6.7.

10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
11. “Group 1 MSMEs” means the MSMEs in the regions of Adıyaman, Hatay, Kahramanmaraş, Malatya, and the Nurdağı and İslahiye areas of Gaziantep Province.
12. “Group 2 MSMEs” means the MSMEs in the regions of Adana, Diyarbakır, Elazığ, Kilis, Osmaniye, Sanlıurfa, and Gaziantep (except Nurdağı and İslahiye) (and any additional earthquake-affected areas that may be agreed to by the Bank in writing for the Project, pursuant to a request of the Borrower, as may be justified by government data, and included as an Earthquake-affected Province, as defined herein).
13. “Guarantor” means the Republic of Türkiye.
14. “KOSGEB” means the government entity formally known as *Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı* or Small and Medium Enterprises Development Organization, an affiliated organization of the Guarantor’s Ministry of Industry and Technology, established pursuant to Law No. 3624, titled, *Small and Medium-Sized Business Development and Support of the Administration and Support Law*, adopted April 12, 1990, published in the Official Gazette, No. 20498, as amended by Law No. 5891 on Amending the KOSGEB Establishment Law numbered 3624, published in the Official Gazette, May 5, 2009, No. 27219.
15. “Medium Enterprise” means a Private Enterprise that employs at least 50 but fewer than 250 employees with annual net sales revenue or financial balance sheet total of TRY 100,000,000 or more, but less than TRY 500,000,000, or as otherwise defined by Turkish legislation, and determined to be acceptable by the Bank for the purposes of this Project.
16. “Micro Enterprises” means a Private Enterprise that employs fewer than 10 employees with annual net sales revenue or balance sheet total of less than TRY 10,000,000, or as otherwise defined by Turkish legislation, and determined to be acceptable by the Bank for the purposes of this Project.
17. “Ministry of Environment, Urbanization and Climate Change” means the Guarantor’s ministry of the same name, or its legal successor or successors thereto.

18. “MSME” means generally a Micro Enterprise, Small Enterprise, or Medium Enterprise as defined in this Agreement; “MSMEs” means collectively all such enterprises.
19. “MSME Operating Expenses” means the eligible operating expenses of MSMEs qualified for Reimbursable Financing support, under Part 1 of the Project, and as such operating expenses are specified in Schedule 2, Section I.C.3(b), to this Agreement.
20. “Operating Costs” means reasonable incremental expenses directly incurred on account of the implementation, management, and monitoring of the Project by the Borrower; such costs may include, as relevant, and as the Bank may agree, for the following:
 - (a) Project audits;
 - (b) office supplies;
 - (c) office rental;
 - (d) vehicle rental;
 - (e) office and equipment maintenance and repair;
 - (f) communications;
 - (g) translation and interpretation;
 - (h) travel associated with Project implementation (including *per diem* and accommodations);
 - (i) publication fees;
 - (j) ownership of intellectual property rights; and
 - (k) other miscellaneous expenses directly associated with the Project and agreed between the Bank and the Borrower but excluding salaries of officials and employees of the Borrower.
21. “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 authority, or entities controlled by the Guarantor, local authorities, or such agencies or subdivisions.
22. “Procurement Regulations” means, for purposes of paragraph 84 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
23. “Project Implementation Unit” or “PIU” means the Project implementation unit specified in Schedule 2, Section I.A.1, to this Agreement, or any legal successor or successors to such unit satisfactory to the Bank.

24. “Project Operations Manual” or “POM” means the manual for the Project, as specified in Schedule 2, Section I.B, to this Agreement, adopted by the Borrower and satisfactory to the Bank.
25. “Reimbursable Financing” means the financing extended to MSMEs under Part 1 of the Project, and as specified in Schedule 2, Section I.C, to this Agreement.
26. “Reimbursable Financing Agreements” means the agreements specified in Schedule 2, Section I.C.5(c), to this Agreement, which may take the form of the Borrower’s standard commitment letter, with the inclusion of the Bank’s requirements as set forth in said Section of Schedule 2, and with procedures acceptable to the Bank for the beneficiaries’ submission to the Borrower.
27. “Reimbursable Financing Manual” means the manual specified in Schedule 2, Section I.B.1(c), and further referenced in Schedule 2, Section I.C, to this Agreement.
28. “Revenue Administration” means the Guarantor’s public institution of the same name, operating under the Ministry of Treasury and Finance, and responsible for levying and collecting state taxes within the framework of Constitutional and tax legislation, or the said institution’s legal successor or successors thereto, acceptable to the Bank for the purposes of this Project.
29. “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.
30. “Small Enterprise” means a Private Enterprise that employs at least 10 but fewer than 50 employees with annual net sales revenue or balance sheet total of at least TRY 10,000,000 but less than TRY 100,000,000, or as otherwise defined by Turkish legislation, and determined to be acceptable by the Bank for the purposes of this Project.
31. “Social Security Institution” means the Guarantor’s agency of the same name also known as *Sosyal Güvenlik Kurumu*, the governing authority for the Turkish social security system.
32. “TRY” means Turkish lira, the official currency of the Borrower.