
LOAN NUMBER 9540-TR

Loan Agreement

(Türkiye Green Industry Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

**SMALL AND MEDIUM ENTERPRISES DEVELOPMENT
ORGANIZATION OF TÜRKIYE
(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 TÜRKIYE, 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 two hundred fifty million Dollars (USD 250,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing Parts 1 and 2 of 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 Part 1 and Part 2 of the Project (“KOSGEB’s

Respective Parts of 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 (“PIU”), with positions, terms of reference, and qualified staff acceptable to the Bank; and
 - (b) the Borrower has adopted a Project Operations Manual (“POM”) for Part 1 of the Project, which shall include a *KOSGEB 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 TÜRKIYE (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 an efficient green transformation for industrial firms in Türkiye.

The Project consists of the following parts:

Part 1. Support Industrial SMEs to Improve Their Energy and Resource Performance and Reduce Their Carbon Emissions.

A. Solar energy investments by industrial SMEs.

Provision, by KOSGEB, of reimbursable financing (“*KOSGEB Reimbursable Financing*”) to industrial SMEs to install solar energy systems within their respective production facilities (on-site), enabling production of electricity for use in the respective SMEs’ production facilities, and the sale of excess electricity generated to the grid.

B. Mobilizing industry for a clean and circular economy.

Provision, by KOSGEB, of *KOSGEB Reimbursable Financing* to industrial SMEs to adopt and implement efficiency systems and/or solutions that support improving water efficiency, strengthening climate resilience to future water scarcity, decarbonizing thermal demand, enabling sustainable and climate-resilient waste management, lean productions, and raw materials efficiency, through investments involving the following areas of intervention:

- (i) energy efficiency;
- (ii) water efficiency;
- (iii) raw material efficiency;
- (iv) fuel switch;
- (v) sustainable and climate-resilient waste recycling;
- (vi) industrial symbiosis; and
- (vii) circular economy.

C. Capacity building and technical assistance to KOSGEB.

Building of KOSGEB's capacity to implement Parts 1 and 2 of the Project, through the provision of goods, consulting services, non-consulting services, Training, and Operating Costs for KOSGEB's Project Implementation Unit; said activities include, *inter alia*:

- (i) development of a monitoring and evaluation software that is integrated with KOSGEB's operating system and those of other Project implementing entities;
- (ii) provision of awareness and training activities to SMEs across Türkiye;
- (iii) provision of advisory support to eligible SMEs during the preparation of Subproject proposals and throughout the respective Subproject implementation process;
- (iv) monitoring and evaluation (including possible impact evaluation) of KOSGEB's Respective Parts of the Project; and
- (v) dissemination of results and lessons learned of KOSGEB's Respective Parts of the Project.

Part 2. Contingent Emergency Response Component.

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

Part 3. Green Innovation by Industrial Enterprises.

A. Climate-informed and green innovation technology extension program.

Provision, by TÜBİTAK, of Matching Grants to eligible SMEs for technical assistance in carrying out technology and innovation needs assessments to review the respective SMEs' business models, supply and value chains, and products and services to support climate change mitigation or adaptation and sustainability.

B. Green industrial research and development, and innovation program.

Provision, by TÜBİTAK, of reimbursable financing ("*TÜBİTAK Reimbursable Financing*") to eligible SMEs and Large Firms to support the following climate-informed and sustainable (green) innovation activities:

- (i) research, development and innovation ("RDI") projects for industrial firms, with a special focus on those initiating RDI activities;

- (ii) climate-informed and sustainable innovation projects in all Low-technology, Medium-technology, and High-technology sectors; and
- (iii) RDI activities oriented to access technological knowledge at the international level and with the objective to export.

C. Industrial Innovation Networks Pilot.

Provision, by TÜBİTAK, of *TÜBİTAK Reimbursable Financing* to eligible SMEs and Large Firms to establish green industrial innovation networks and build sectoral value chains based on technologies in climate informed (green) innovations.

D. Capacity building and technical assistance to TÜBİTAK.

Building of TÜBİTAK's capacity to implement the activities under Part 3 of the Project, through the provision of goods, consulting services, non-consulting services, Training, and Operating Costs for TÜBİTAK's Project Implementation Unit; said activities include, *inter alia*:

- (i) development of a monitoring and evaluation software that is integrated with TÜBİTAK's operating system and those of other Project stakeholders;
- (ii) provision of awareness and training activities to companies across Türkiye;
- (iii) provision of advisory support to eligible companies, particularly SMEs, during the preparation of Subproject proposals and throughout the implementation process;
- (iv) monitoring and evaluation (including possible impact evaluation) of TÜBİTAK's Respective Part of the Project; and
- (v) dissemination of results and lessons learned from TÜBİTAK's Respective Part of the Project.

Part 4. Project Management and Institutional Development.

A. Analysis of industrial decarbonization potential and needed technologies.

Carrying out, through the Ministry of Industry and Technology ("MoIT"), of assessment studies to: (i) analyze the needs for green transformation in key

industrial sectors; (ii) develop a green technology taxonomy for relevant activities; and (iii) determine carbon emission reduction potential in the related industries.

B. Policy development, institutional capacity building, dissemination, and awareness-raising.

Development, through MoIT, of project partners' and stakeholders' institutional capacities in green transition competencies; said activities include, *inter alia*, carrying out related policy and legislative development, providing capacity building, Training, and technical assistance to MoIT experts and project partners, enhancing the competencies of local experts, establishing a roster of green transformation assessors and consultants, developing a communications and outreach strategy for green transformation, and carrying out related awareness and outreach activities.

C. Green industry academy and green industry tracking system.

- (i) Provision, through MoIT, of training and certification of specialized green transformation experts, to support the green transition of firms; said activities include developing specialized curriculum and training materials, establishing a digital training portal, establishing competency-based certification and accreditation system, and developing a database of green transformation experts and green firms.
- (ii) Establishment, through MoIT, of digital infrastructure and database, linked with relevant government entities; monitoring of results; establishment of an excellence award framework to acknowledge climate-informed and sustainable transformation achievers; and carrying out of an impact assessment to assess the impact of reimbursable financing on industrial firms.

D. Overall project management and coordination.

Provision, through MoIT, of Project management support to MoIT's Project Implementation Unit to manage the implementation of the activities, including managing external audits, under Part 4 of the Project, in collaboration with all other stakeholders; said activities include establishing and managing a monitoring and evaluation mechanism for 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 KOSGEB's Respective Parts of the Project, to the satisfaction of the Bank:
 - (a) operationalize and maintain a PIU, with terms of reference, staffing and budgetary resources necessary and appropriate to, in the Bank's opinion, effectively carry out KOSGEB's Respective Parts of the Project; and
 - (b) ensure the PIU satisfactorily carries out the following responsibilities, as may be further detailed in the Project Operations Manual:
 - (i) oversee the management and broad implementation of KOSGEB's Respective Parts of the Project;
 - (ii) maintain the *KOSGEB Reimbursable Financing* schemes under Parts 1.A and 1.B of the Project, including the selection of qualifying, beneficiary SMEs, all in compliance with the criteria and terms set forth in this Agreement and the *KOSGEB Reimbursable Financing Manual*;
 - (iii) ensure beneficiary SMEs' compliance with the relevant terms of this Agreement, the *KOSGEB Reimbursable Financing Manual* and the respective *KOSGEB Reimbursable Financing Agreements* as a condition for the SMEs' receipt of *KOSGEB Reimbursable Financing*;
 - (iv) ensure beneficiary SMEs' adherence to all Bank fiduciary and environmental and social requirements; and
 - (v) carry out the monitoring, evaluation and reporting requirements for KOSGEB's Respective Parts of the Project.

B. Project Operations Manual.

1. The Borrower shall maintain, throughout the implementation of KOSGEB's Respective Parts of the Project, the POM, in substance and manner acceptable to the Bank, which shall include, *inter alia*:

- (a) detailed description of KOSGEB's Respective Parts of the Project and the prospective timetable and benchmarks in relation thereto;
 - (b) the parties responsible for carrying out the relevant parts of KOSGEB's Respective Parts of the Project and the coordination arrangements between the relevant parties, including TÜBİTAK and MoIT;
 - (c) the detailed policies, procedures, guidelines and standard documents relating to the implementation of KOSGEB's Respective Parts of the Project (including the *KOSGEB Reimbursable Financing Manual* for the implementation of Part 1.A and Part 1.B of the Project), which shall include the detailed description of programs, the criteria and methodology for targeting beneficiaries, including communication and outreach activities to target female-led and/or owned SMEs, differentiated loan terms, and targeted technical support to industrial SMEs, and arrangements of the annual surveys to measure the satisfaction of beneficiaries;
 - (d) the environmental and social obligations and arrangements for KOSGEB's Respective Parts of the Project, consistent with the Environmental and Social Standards ("ESS") and incorporating the requirements set forth under Section I.E 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, evaluation, reporting, and communications, including specifically, the frequency and content of environmental and social monitoring reports, for KOSGEB's Respective Parts of the Project.
2. The Borrower shall carry out KOSGEB's Respective Parts of the Project, and cause the said Parts of 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 *KOSGEB 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 *KOSGEB Reimbursable Financing Manual*, shall not be assigned, amended, abrogated or waived, nor shall

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. *KOSGEB Reimbursable Financing.*

1. *Eligibility and Selection.* In carrying out Part 1.A and Part 1.B of the Project, the Borrower shall extend *KOSGEB Reimbursable Financing* for the financing of eligible activities (a) to SMEs that qualify in accordance with the eligibility and selection criteria for beneficiary SMEs and proposed Subprojects, (b) on terms and conditions for the Borrower's provision of *KOSGEB Reimbursable Financing* to beneficiary SMEs, and (c) in accordance with the procedures for approving *KOSGEB Reimbursable Financing* and Subprojects, acceptable to the Bank, including those eligibility criteria, terms and conditions, and procedures set forth in Section I.C.2 to 5 of this Schedule and further detailed in the *KOSGEB Reimbursable Financing Manual*.
2. *Eligibility and Selection Criteria.* Unless otherwise expressly agreed to by the Bank and incorporated in the *KOSGEB Reimbursable Financing Manual*, the Borrower shall have determined to the satisfaction of the Bank that each SME has satisfactorily established, and continues to maintain during the duration of its receipt of the *KOSGEB Reimbursable Financing*, the following conditions:
 - (a) *Eligible SMEs.* Qualifying SMEs shall:
 - (i) be registered industrial SMEs in Türkiye with all necessary licenses;
 - (ii) be creditworthy, evidenced by the SME's credit score, with a minimum credit score as specified in the *KOSGEB Reimbursable Financing Manual*, issued from an acceptable rating institution;
 - (iii) be seventy-five percent (75%) or greater privately owned (capital ownership) with the largest shareholder of the firm being private, and majority representation (corporate voting rights and/or veto power) not held by the public sector (government or state-owned entity/entities); in the case of startups and spinoffs, be more than fifty percent (50%) privately owned (capital ownership);
 - (iv) be financially viable (assets value or net sales greater than the proposed value of the *KOSGEB Reimbursable Financing* to be extended);
 - (v) be associated with low to substantial environmental and social risks in accordance with the screening criteria identified in the Environmental and Social Management System;

- (vi) be in operation for more than two (2) years; and
 - (vii) for SMEs under Part 1.A of the Project, consume at least twenty (20) tons of oil equivalent, or equivalent kilowatt.
- (b) *Eligible Activities.* Qualifying activities shall be the following:
- (i) For Part 1.A of the Project, solar energy for industrial SMEs: installation of solar generation systems on-site, which shall be subject to the applicant SME's presentation of evidence (prior to the application for *KOSGEB Reimbursable Financing*) with the approval of the Ministry of Energy and Natural Resources for the SME to install the proposed solar energy systems.
 - (ii) For Part 1.B of the Project, mobilizing industry for a clean and circular economy:
 - (A) Substitution of raw materials with secondary raw materials and by-products;
 - (B) Systems to recover waste heat;
 - (C) Reuse, refurbishment, rebuilding and remanufacturing of end-of-life or idle products and their components that will become waste;
 - (D) Separate collection and reverse logistics of waste, inert parts and materials allowing circular value retention and recovery strategies to be implemented;
 - (E) Recovery of materials from waste in preparation for cyclical value retention and recovery strategies;
 - (F) Recovery and utilization of biomass waste and residues as food, feed, nutrients, fertilizer, bio-based material, or chemical raw material;
 - (G) Wastewater treatment, reuse and/or recycling;
 - (H) Development and/or implementation of tools, applications and services that enable circular economy strategies to be implemented;

- (I) Renewal of machinery and equipment that have completed their designed life or are idle;
 - (J) Purchase and installation of non-strictly circular technologies in some sectors, Internet of Things (“IoT”) systems for materials efficiency; and
 - (K) Purchase and installation of IoT systems for materials efficiency.
- (c) *Excluded activities and expenditures.* The Excluded Activities, as defined in the Appendix to this Agreement, and the following types of expenditures shall be excluded from qualifying for *KOSGEB Reimbursable Financing*: raw materials, real estate purchases, building construction, furniture, vehicle purchase and rental, taxes, duties and fees, and social security premiums.
- (d) *Evaluation of Subprojects.* The proposed Subprojects shall be evaluated and scored, as detailed in the *KOSGEB Reimbursable Financing Manual*, based on the following considerations:
- (i) Technical feasibility: viability of used technology to generate power reliably and consistently;
 - (ii) Financial viability: ability to generate a reasonable return on investment;
 - (iii) Environmental impact: minimal negative impact on environment and contribute to sustainable development;
 - (iv) Social impact: positive impact and inclusion of vulnerable groups (women, youth and disabled people);
 - (v) Legal and regulatory compliance: compliance with local laws and regulations, including the permission of the Ministry of Energy and Natural Resources;
 - (vi) Scalability: potential to scale up to align with future expansion of operations;
 - (vii) Strategic fit: alignment with national priority, such as support to exporters, energy intensive sectors, and others; and
 - (viii) Innovation: adoption of innovative process to increase resource efficiency.

3. Approval Procedures for KOSGEB Reimbursable Financing.
- (a) Prior to the screening, scoring, and approval of proposals for *KOSGEB Reimbursable Financing* under Part 1.A and Part 1.B of the Project, the Borrower shall establish a selection committee, comprising relevant experts, the majority of whom shall have no material relationship with the Borrower, is not part of the Borrower's executive team, and is not involved with the Borrower's day-to-day operations; the selection committee experts shall include, *inter alia*, industrial experts (both private sector practitioners and academicians), financial experts, and climate, environmental and social experts, to evaluate subprojects.
 - (b) Each *KOSGEB Reimbursable Financing* Subproject shall be approved by the Borrower on the basis of:
 - (i) a determination of eligibility of the SME;
 - (ii) evidence of compliance with the relevant requirements set forth in the *KOSGEB Reimbursable Financing* Manual, in line with those specified in this Agreement; and
 - (iii) such other information as the Bank shall reasonably request.
 - (c) The Borrower shall determine the beneficiary SME's compliance with all necessary requirements at the time of *KOSGEB Reimbursable Financing* approval.
 - (d) *Prior review.* In carrying out Part 1.A and Part 1.B of the Project, unless otherwise agreed to by the Bank, the Borrower shall provide to the World Bank for prior approval the first ten (10) Subprojects proposed for *KOSGEB Reimbursable Financing*, and thereafter any subsequent Subproject proposals under Part 1.A and Part 1.B as may be requested by the Bank.
 - (e) *Ex-post review.* All *KOSGEB Reimbursable Financing* extended under Part 1 of 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 *KOSGEB Reimbursable Financing* Manual.
4. *KOSGEB Reimbursable Financing limits.* For the purposes of carrying out Part 1.A and Part 1.B of the Project, the Borrower shall extend *KOSGEB Reimbursable Financing* to beneficiary SMEs with the following respective limits, unless such limits have been modified with the express approval of the Bank and incorporated in the *KOSGEB Reimbursable Financing* Manual:

- (a) For Part 1.A of the Project, for solar energy investments, *KOSGEB Reimbursable Financing* shall cover up to sixty percent (60%) of the total costs, with an upper limit of US\$500,000 per SME, with the requirement that the eligible SME shall agree to cover forty percent (40%) of the required funding; in the case of Earthquake-affected Provinces, *KOSGEB Reimbursable Financing* shall cover up to ninety percent (90%) of the total costs (determined on the basis of specifications set forth in the *KOSGEB Reimbursable Financing Manual*), with an upper limit of US\$500,000 per SME, with the requirement that the eligible SME shall agree to cover ten percent (10%) of the required funding;
- (b) For Part 1.B of the Project, for mobilizing industry for clean and circular economy, *KOSGEB Reimbursable Financing* shall cover up to seventy percent (70%) of the total costs, with an upper limit of US\$150,000 per SME, with the requirement that the eligible SME shall agree to cover thirty percent (30%) of the required funding; in the case of Earthquake-affected Provinces, *KOSGEB Reimbursable Financing* shall cover up to ninety percent (90%) of the total costs (determined on the basis of specifications set forth in the *KOSGEB Reimbursable Financing Manual*), with an upper limit of US\$150,000 per SME, with the requirement that the eligible SME shall agree to cover ten percent (10%) of the required funding; and
- (c) An individual SME shall not receive more than two sets of financings under each Part 1 and Part 3 of the Project (except for Part 3.A of the Project, up to three Matching Grants).

5. *Terms and Conditions for KOSGEB Reimbursable Financing – KOSGEB Reimbursable Financing Agreements.*

- (a) *KOSGEB Reimbursable Financing* shall be provided on terms and conditions acceptable to the Bank, as specified in the *KOSGEB Reimbursable Financing Manual*, including the terms and conditions relating to maturity, and such additional terms and conditions specified in subsection (b) below.
- (b) The Borrower shall obtain a written agreement (“*KOSGEB Reimbursable Financing Agreement*”) with each beneficiary SMEs that sets forth (i) the terms and conditions for *KOSGEB Reimbursable Financing* acceptable to the Bank, and (ii) 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 SME beneficiary to:
 - (i) carry out and operate the facilities benefiting from *KOSGEB Reimbursable Financing* with due diligence and efficiency, in

accordance with (A) sound technical, financial, and managerial (including in respect to the maintenance of adequate records) standards, (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 finance proceeds other than the Borrower, and (D) all other relevant provisions of the *KOSGEB Reimbursable Financing Manual*;

- (ii) use all *KOSGEB Reimbursable Financing* exclusively for the financing of eligible expenditures as specified in the *KOSGEB Reimbursable Financing Agreement*, which shall be in line with the terms of this Agreement and the *KOSGEB Reimbursable Financing Manual*;
- (iii) warrant that it has not accepted more than two financing supports collectively under Parts 1 and 3 of the Project (except in the case of Part 3.A, no more than three Matching Grants);
- (iv) 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 *KOSGEB 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;
- (v) provide the Borrower with the right to inspect, by itself or jointly with representatives of the Bank or the Guarantor, if the Bank and/or the Guarantor shall so request, the beneficiary sites and expenditures financed by the *KOSGEB Reimbursable Financing*, the operation thereof, and any relevant records and documents;
- (vi) notify the Borrower of any changes to the beneficiary firm's eligibility (pursuant to the criteria set forth in Section I.C.2 of this Schedule) during the period of the Subproject implementation;
- (vii) prepare and furnish to the Bank and/or the Guarantor all such information as the Bank and/or Guarantor shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the beneficiary SME and to the benefits to be derived from the *KOSGEB Reimbursable Financing*; and

- (viii) agree to reserve the Borrower's right to suspend and terminate the beneficiary SME's use of the proceeds of *KOSGEB Reimbursable Financing*, and the Borrower's right to obtain a refund of all or any part of the *KOSGEB Reimbursable Financing*, upon the beneficiary SME's failure to perform any of its obligations under the *KOSGEB Reimbursable Financing Agreement*.
- (c) The activities of the beneficiary firms 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. Contingent Emergency Response Component.

1. To ensure the proper implementation of contingent emergency response activities under Part 2 of the Project ("Contingent Emergency Response Component"), the Borrower shall ensure that:
 - (a) a manual ("CERC Manual") is prepared and adopted by in form and substance acceptable to the Bank, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Component, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Component; (ii) specific activities which may be included in the Contingent Emergency Response Component, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Component; (iv) procurement methods and procedures for the Contingent Emergency Response Component; (v) documentation required for withdrawals of Loan amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Component; and (vii) a template Emergency Action Plan;
 - (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Bank;
 - (c) the Emergency Response Component is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and

- (d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Bank.
- 2. The Borrower shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Component, with adequate staff and resources satisfactory to Bank.
- 3. The Borrower shall ensure that:
 - (a) the environmental and social instruments required for the Contingent Emergency Response Component are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Bank; and
 - (b) the Contingent Emergency Response Component is carried out in accordance with the environmental and social instruments in a manner acceptable to the Bank.
- 4. Activities under the Contingency Emergency Response Component shall be undertaken only after an Eligible Crisis or Emergency has occurred.

E. Environmental and Social Standards.

- 1. The Borrower shall ensure that KOSGEB's Respective Parts of the Project are 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 KOSGEB's Respective Parts of the Project are 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 KOSGEB's Respective Parts of the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, (including, (i) explosions, spills, and any workplace accidents that result in death, serious or multiple injury, or pollution, (ii) any issues or grievances arising from the surveillance and/or monitoring activities under Part 1 of the Project, (iii) any violent labor unrest or dispute between the Borrower or security forces (assigned to protect KOSGEB's Respective Parts of the Project) and local communities, (iv) any case of sexual exploitation and abuse, sexual harassment and violence against minors, or (v) any incidents in or related to 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 KOSGEB's Respective Parts of the 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 KOSGEB's Respective Parts of the Project include the obligation of contractors, and subcontractors and supervising entities to: (a) comply with the relevant aspects of 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.

F. 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 KOSGEB's Respective Parts of the Project, a proposed Annual Work Plan and Budget containing: (i) all activities to be carried out under the said Parts of 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 KOSGEB's Respective Parts of the Project are 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 for KOSGEB's Respective Parts of the Project 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 goods, works, non-consulting services, and consulting services under Part 1.A and Part 1.B of the Project	246,375,000	100%
(2) Goods, non-consulting services, consulting services, Training and Operating Costs under Part 1.C of the Project	3,000,000	100%
(3) Emergency Expenditures	0	100%
(4) Matching Grants for consulting services under Part 3.A of the Project	0	
(5) Reimbursable Financing for goods, works, non-consulting services, and consulting services under Part 3.B and Part 3.C of the Project	0	
(6) Goods, non-consulting services, consulting services, Training and Operating Costs under Part 3.D of the Project	0	
(7) Goods, non-consulting services, consulting services, Training and Operating Costs under Part 4 of the Project	0	
(8) Front End Fee	625,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	250,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date; or
 - (b) for Emergency Expenditures under Category (3), unless and until all of the following conditions have been met in respect of said expenditures:
 - (i) (A) the Borrower has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Bank a request to withdraw Loan amounts under Category (3); and (B) the Bank has agreed with such determination, accepted said request and notified the Borrower thereof; and
 - (ii) the Borrower has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Bank.
2. The Closing Date is June 30, 2029.

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 Section I.F of Schedule 2 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 Section III.A of Schedule 2 to this Agreement.
4. “CERC Manual” means the manual referred to in Section I.D.1(a) of Schedule 2 to this Agreement, as such manual may be updated from time to time with the agreement of the Bank, and which will be an integral part of the Project Operations Manual.
5. “Contingent Emergency Response Component” or “CERC” means any activity or activities to be carried out under Part 2 of the Project to respond to an Eligible Crisis or Emergency.
6. “Earthquake-affected Provinces” means the eleven provinces of the Republic of Türkiye that sustained the greatest damages in the February 2023 earthquakes, namely, Adana, Adiyaman, Diyarbakir, Elazığ, Gaziantep, Hatay, Kahramanmaras, 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).
7. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Republic of Türkiye, associated with a natural or man-made crisis or disaster.
8. “Emergency Action Plan” means the plan referred to in Section I.D.1(b) of Schedule 2 to this Agreement, detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.
9. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERC Manual referred to in Section I.D.1(a) of Schedule 2 to this Agreement and required for the Contingent Emergency Response Component.

10. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for KOSGEB’s Respective Parts of the Project, dated May 8, 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 KOSGEB’s Respective Parts 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.
11. “Environmental and Social Instruments” means the Borrower’s environmental and social documents for KOSGEB’s Respective Parts of the Project required under the Bank’s Environmental and Social Framework and referred to in the Environmental and Social Commitment Plan, the Environmental and Social Management System, and Stakeholder Engagement Plan.
12. “Environmental and Social Management System” means the Borrower’s system to identify, assess, manage, and monitor the environmental and social risks and impacts of the activities under KOSGEB’s Respective Parts of the Project on an ongoing basis, taking into account the national laws and regulations and the requirements of the World Bank.
13. “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 became effective on October 1, 2018, as published by the Bank.
14. “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.
15. “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).
16. “Guarantor” means the Republic of Türkiye.
17. “High-technology” means the following types of industrial concerns: (a) aircraft and spacecraft; (b) pharmaceuticals; (c) office, accounting, and computing machinery; (d) radio, television, and communications equipment; (e) medical, precision, and optical instruments; and such other industries agreed to by the Bank for such categorization for the purposes of this Project.
18. “Internet of Things” or “IoT” means the network of physical objects that are embedded with sensors, software, and other technologies for the purpose of connecting and exchanging data with other devices and systems over the internet.
19. “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 numbered 5891 on Amending the KOSGEB Establishment Law numbered 3624, published in the Official Gazette, May 5, 2009, No. 27219.

20. "KOSGEB Reimbursable Financing" means the financing extended to SMEs under Part 1.A and Part 1.B of the Project, and as described in Schedule 2, Section I.C, of this Agreement.
21. "KOSGEB Reimbursable Financing Agreements" means the agreements described in Schedule 2, Section I.C.5(b), of 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.
22. "KOSGEB Reimbursable Financing Manual" means the manual described in Schedule 2, Section B.1(c), of this Agreement.
23. "KOSGEB's Respective Parts of the Project" means Parts 1 and 2 of the Project.
24. "Large Firm" means a Private Enterprise that employs 250 or more employees, with annual net sales revenue or financial balance sheet total of TRY 250,000,000 or more, or as otherwise defined by Turkish legislation (on thresholds for Medium Enterprises or Large Firms, as the case may be), and determined to be acceptable by the Bank for the purposes of this Project.
25. "Low-technology" means the following types of industrial concerns: (a) manufacturing; (b) recycling, wood, pulp, paper, paper products, printing, and publishing; (c) food products, beverages, and tobacco; (d) textiles, textile products, leather, and footwear; and (e) such other industry as may be agreed to by the Bank for such categorization for the purposes of this Project.
26. "Matching Grants" means the matching grants extended by TÜBİTAK to SMEs under Part 3.A of the Project.
27. "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 50,000,000 or more, but less than TRY 250,000,000, or as otherwise defined by Turkish legislation, and determined to be acceptable by the Bank for the purposes of this Project.
28. "Medium-high technology" means the following types of industrial concerns: (a) electrical machinery and apparatus; (b) motor vehicles, trailers, and

semi-trailers; (c) chemicals, excluding pharmaceuticals; (d) railroad equipment and transport equipment; (e) machinery and equipment; and (f) such other industry as may be agreed to by the Bank for such categorization for the purposes of this Project.

29. “Medium-low technology” means the following types of industrial concerns: (a) building and repairing of ships and boats; (b) rubber and plastics products; (c) coke, refined petroleum products and nuclear fuel; (d) other non-metallic mineral products; (e) basic metals and fabricated metal products; and (f) such other industry as may be agreed to by the Bank for such categorization for the purposes of this Project.
30. “Medium-technology” means collectively Medium-low technology and Medium-high technology industries.
31. “Ministry of Energy and Natural Resources” means the ministry of the same name of the Republic of Türkiye, or its legal successor or successors thereto.
32. “Ministry of Industry and Technology” or “MoIT” means the ministry of the same name of the Republic of Türkiye, or its legal successor or successors thereto.
33. “Operating Costs” means reasonable incremental expenses directly incurred on account of the implementation, management, and monitoring of the Respective Parts 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 (not covered under Training);
 - (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.
34. “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 administrative authority, or entities controlled by the Guarantor or such agencies or subdivisions.

35. “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.
36. “Project Implementation Unit” or “PIU” means, for the purpose of KOSGEB’s Respective Parts of the Project, the Project implementation unit described in Section I.A.1 of Schedule 2 to this Agreement, or any legal successor or successors to such unit satisfactory to the Bank; for said references in Part 3 and Part 4 of the Project, “PIU” means, respectively, the Project implementation units of TÜBİTAK and MoIT.
37. “Project Operations Manual” or “POM” means the manual for KOSGEB’s Respective Parts of the Project, as described in Section I.B of Schedule 2 to this Agreement, adopted by the Borrower and satisfactory to the Bank.
38. “RDI” means research, development and innovation.
39. “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.
40. “Small Enterprise” means, for the purposes of the Project, a Private Enterprise that employs fewer than 50 employees with annual net sales revenue or balance sheet total of less than TRY 50,000,000, or as the thresholds are otherwise defined by Turkish legislation for small and micro enterprises and determined to be acceptable by the Bank for the purposes of this Project.
41. “SME” means generally a Small Enterprise or Medium Enterprise that satisfies the appropriate criteria as set forth in Schedule 2, Section I.C.2, to this Agreement; “SMEs” means collectively all such enterprises.
42. “Subproject” means a specific investment project or working capital investment under the respective part of the Project and to be carried out by a beneficiary enterprise; “Subprojects” means collectively such subprojects.
43. “Training” means reasonable expenditures (excluding costs of goods, consulting services and non-consulting services) incurred for Project-related capacity building activities, including study tours, training courses, seminars, workshops and other training activities; such costs include travel, accommodation and *per diem* costs associated with training, workshop and study tour participants and trainers, space and equipment rental, and other training related miscellaneous costs, all based on an Annual Work Plan and Budget agreed with the Bank.

44. “TRY” means Turkish lira, the official currency of the Borrower.
45. “TÜBİTAK” means Scientific and Technological Research Council of Türkiye, also known as *Türkiye Bilimsel ve Teknolojik Araştırma Kurumu*, established with legal personality, administrative and financial autonomy and special budget as an affiliated organization under the Ministry of Industry and Technology, responsible for the management, funding, and conducting of associated research in Türkiye; established pursuant to Law No. 278, titled, *Law On Some Regulations Regarding The Scientific And Technological Research Institution of Türkiye*, adopted July 17, 1963, published in the Official Gazette, No. 11462, as amended by Presidential Decree on The Organization of Ministries’ Affiliated, Related, Associated Institutions and Organizations and Other Institutions and Organizations, numbered 4, published in the Official Gazette, July15, 2018, No. 30479.
46. “TÜBİTAK Reimbursable Financing” means the reimbursable financing extended to SMEs and Large Firms under Part 3.B and Part 3.C of the Project.
47. “TÜBİTAK’s Respective Part of the Project” means Part 3 of the Project.