
LOAN NUMBER 9532-TR

Loan Agreement

(Türkiye Water Circularity and Efficiency Improvement Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

İLLER BANKASI ANONİM ŞİRKETİ

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and İLLER BANKASI ANONİM ŞİRKETİ (“Borrower”).

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 seventy-five million Euros (EUR75,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are February 15 and August 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 objectives of the Project. To this end, the Borrower shall carry out Parts A and D.1 of the Project (“Borrower’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 Condition of Effectiveness consists of the following, namely the Borrower shall have, all to the satisfaction of the Bank:
- (a) prepared and adopted the Project Operations Manual, in form and substance consistent with Section 1.B of Schedule 2 to this Agreement;
 - (b) hired or assigned qualified an environmental specialist, a social specialist, and a health and safety specialist, in accordance with Schedule 2, Section I.A.1(b), of this Agreement, for the implementation of the Borrower’s Respective Parts of the Project; and
 - (c) established the grievance redress mechanism for the Borrower’s Respective Parts of the Project, in form and manner 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 Director General.
- 5.02. For purposes of Section 10.01 of the General Conditions:
- (a) the Borrower’s address is:

İller Bankası Anonim Şirketi
Emniyet Mahallesi
Hipodrom Caddesi No: 9/21
06330 Yenimahalle
Ankara
Republic of Türkiye; and

(b) the Borrower's Electronic Address is:

Facsimile:

(90) (312) 508-7949.

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:

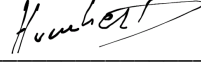
248423(MCI) or
64145(MCI)

1-202-477-6391.

AGREED as of the Signature Date.

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

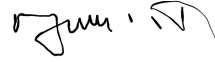
Name: J. Humberto Lopez

Title: Country Director

Date: 20-Sep-2023

İLLER BANKASI ANONİM ŞİRKETİ

By



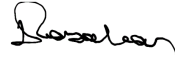
Authorized Representative

Name: Recep TÜRK

Title: Director General

Date: 20-Sep-2023

By



Authorized Representative

Name: Eyyüp KARAHAN

Title: Chairman

Date: 20-Sep-2023

SCHEDULE 1

Project Description

The objectives of the Project are: (i) to improve wastewater services and reuse; (ii) to increase irrigation services and efficiency; and (iii) to strengthen institutional capacity and coordination for managing water circularity and point source pollution reduction in selected water-stressed areas in Türkiye.

The Project consists of the following parts:

Part A. Wastewater Collection, Treatment and Reuse.

1. Construction and upgrade of wastewater collectors and treatment plants with reuse and resource recovery potential.

Establishment and operation, by ILBANK, of a credit facility to provide sub-loans (“Municipal Sub-loans”) to eligible Project Municipalities and SKIs (“Municipal Sub-borrowers”) to undertake infrastructure investments (including goods, works, and consulting and non-consulting services) to upgrade wastewater collection and treatment, and reclaim wastewater for resource recovery and reuse (“Municipal Subprojects”); said investments include, *inter alia*: (a) extending or rehabilitating priority raw wastewater collection and conveyance systems; (b) expanding or upgrading existing wastewater treatment plants with reuse potential; (c) rehabilitating and retrofitting waste water treatment plants in operation with biogas capture and energy generation facilities and/or sludge treatment processes, allowing for the recovery of these subproducts for reducing energy related operational costs or other end uses (including agricultural or industrial); and (d) developing Supervisory Control and Data Acquisition (SCADA) systems for monitoring wastewater quality, as may be required.

2. Technical support for preparation and implementation of investments in wastewater treatment.

Provision, by ILBANK, of Municipal Sub-loans to Municipal Sub-borrowers to carry out preparatory activities for Municipal Subprojects under Part A.1 of the Project; said preparatory activities (through consulting services) include, *inter alia*:

- (a) reviewing existing designs, preparing bidding documents, and developing detailed engineering designs for the treatment and SCADA systems, and for resource recovery investments for the relevant Municipal Subprojects;
- (b) providing construction supervision;

- (c) preparing the required environmental and social management instruments, including environmental and social management plans and/or environmental and social impact assessments;
- (d) carrying out citizen and community engagement activities and trainings to facilitate effective two-way engagement among stakeholders on pertinent issues relating to the Project and to broader water circularity, efficiency improvement and resilience; and
- (e) carrying out energy and operational efficiency audits in wastewater treatment plants for participating Project Municipalities/SKIs.

3. Capacity building, training, innovation, and gender.

Provision, through ILBANK, of institutional capacity-building activities, including knowledge exchange workshops, study tours, training, and other activities aimed at: (a) promoting innovation and learning, and sharing of best practices for sector institutions at central and local authority levels within Türkiye, including ILBANK, and participating Project Municipalities/SKIs on aspects relating to promoting water security and resilience; (b) gender diversity and gender sensitization training for all employees and management, and technical and leadership skills training and mentorship programs focused for female staff; and (c) implementation of the Equal Aqua Survey to capture data on female and male employment and diagnose any barriers to promote equal opportunities for women.

Part B. Rehabilitation, Construction, and Modernization of Irrigation Systems.

1. Conversion of open main, secondary, and tertiary canals to pressurized pipelines, and rehabilitation of associated infrastructure.

Rehabilitation and modernization, by DSI, of irrigation infrastructure, located in priority water stressed provinces of Türkiye, to improve water and energy efficiency productivity; said activities include: (a) converting open concrete-lined trapezoidal main, secondary, and tertiary canals to closed, buried, and pressurized pipelines; and (b) rehabilitating head structures and pumping stations, including the electrical and mechanical components.

2. Installation of irrigation hydrants and smart water meters to the piped irrigation systems.

Installation, by DSI, of pre-paid meters to water intake facilities in the existing piped irrigation systems, including providing additional structures, pipes, and other appurtenances involved in the transportation and installation of the meters on site.

3. Feasibility studies and designs for wastewater tertiary disinfection units and associated irrigation water distribution networks for reclaimed wastewater conveyance.

- (a) *Feasibility studies and design for wastewater disinfection units.* Carrying out, by DSI, of feasibility studies and designs to inform future investments for tertiary disinfection unit(s), comprising discrete infrastructure components of the wastewater treatment plant(s), which treat wastewater for irrigation purposes, of the respective Project Municipality/SKI.
- (b) *Feasibility studies and designs for irrigation networks.* Carrying out, by DSI, of feasibility studies to inform future investments for irrigation network(s) to convey treated wastewater for the irrigation of farms.
- (c) *Preparation of Wastewater Reuse Protocol template.* Preparation, by DSI, of a Wastewater Reuse Protocol template and framework for use in the management of future wastewater reuse investments.

4. Provision of technical support to participating Water Users Associations (“WUAs”).

Strengthening, by DSI, of the capacity of WUAs participating directly in the Project, and particularly those using treated wastewater for irrigation, on key aspects of managing irrigation schemes, said activities include:

- (a) consulting WUAs on the safe use of treated wastewater and incorporation of their feedback in the final design of schemes; and
- (b) supporting women’s participation and voice in WUAs and related capacity building activities for female WUA members and staff, and women farmers.

Part C. Institutional Strengthening, Capacity Building, and Innovation for Irrigation Services and Implementation of Circular Principles in Water.

1. Study and roadmap for strengthening reused wastewater financing and regulatory mechanisms.

Developing, through DSI in collaboration with key stakeholders, of appropriate financing mechanisms to cover capital expenditures and operating expenses for wastewater reuse and resource recovery for different uses; said activities include carrying out of a study to: (a) consider tariff and subsidy levels, tariff setting methodologies, cost recovery levels and affordability, consumer willingness to pay for water, wastewater, and irrigation services, and financial modelling options; and (b) identify medium to long-term pathways to promote cost recovery, affordability by consumers, and financial sustainability by SKIs and municipalities.

2. Stakeholder and citizen engagement activities.

Provision, through DSI, of support for stakeholder engagement activities to develop and promote broad understanding and buy-in to Project interventions, ensure citizen engagement in Project design and implementation, and facilitate grievance-redress mechanisms throughout the Project cycle; said activities include, *inter alia*: (a) developing and implementing community scorecards; (b) engaging WUAs, as the main institution responsible for local water management structures supported by the Project and for participatory monitoring of reclaimed wastewater quality; (c) developing beneficiary feedback system for a timely response to community level grievances and issues; and (d) implementing awareness campaigns for end-users of treated wastewater on Project activities, related risks, and mitigation measures.

3. Energy audits for irrigation systems.

Carrying out, through DSI, of a detailed assessment, including energy and water audits, of the irrigation systems selected for rehabilitation and modernization under Part B.1 of the Project; said audits include: (a) estimating potential reduction in energy use, peak demands, water losses, and greenhouse gas emissions through improved pumping efficiency, re-design and rehabilitation of electrical and mechanical structures; and (b) assessing international experience with the benefits and costs of prepaid water meters, such as reduction in water use and losses, increase in irrigation efficiency, increase in area irrigated, and related co-benefits that may include reduction in energy use and greenhouse gas emissions.

4. Capacity building, training, and innovation.

Carrying out, through DSI, of knowledge exchange workshops, study tours, training and other activities aimed at promoting innovation and learning and sharing of best practices for sector institutions at central and local government authority on aspects relating to promoting water security and resilience.

5. Support for Piloting of an Irrigation Scheme under a public private partnership (“PPP”) arrangement.

Carrying out of a technical and financial assessment to identify an appropriate PPP model to recommend for the piloting of at least one irrigation scheme.

Part D. Project Management.

1. *ILBANK.*

Provision of support (including goods, consulting services, non-consulting services, Operating Costs, and Training) to ILBANK for Project management and supervision (including carrying out Project procurement, financial management, environmental and social compliance, monitoring and evaluation, Project reporting, grievance redress mechanisms, communication and outreach activities).

2. *DSI.*

Provision of support (including goods, consulting services, non-consulting services, Operating Costs, and Training) to DSI for Project management and supervision (including carrying out dam safety assessments and preparing dam safety management instruments, as relevant, and carrying out Project procurement, financial management, environmental and social compliance, monitoring and evaluation, Project reporting, grievance redress mechanisms, and communication and outreach activities).

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall, throughout Project implementation and to the satisfaction of the Bank, be responsible for the overall management of the Borrower's Respective Parts of the Project; said responsibility shall include:
 - (a) maintain, until the completion of the Project, a Project Management Unit ("PMU"), established within its International Relations Department, to be responsible for the overall implementation, management, coordination and oversight of the Borrower's Respective Parts of the Project, including the administrative, procurement, environmental and social requirements, disbursement, financial management, and monitoring and evaluation responsibilities, as specified in the Project Operations Manual ("POM"), and providing implementation support to the Municipal Sub-borrowers under Parts A and D.1 of the Project, and their respective Project Implementation Units;
 - (b) ensure that the PMU functions at all times in a manner and with staffing, budgetary resources, and authority necessary and appropriate for the satisfactory implementation of the Borrower's Respective Parts of the Project, all of which shall be acceptable to the Bank; and
 - (c) ensure the support of the Borrower's other specialized and regional departments that shall serve to, *inter alia*, control and approve technical studies under its Respective Parts of the Project, evaluate the financial capacity of municipalities, review technical specifications as needed, and provide other technical and administrative support, and to monitor subproject implementation.
2. For the implementation of Parts A.1 and A.2 of the Project, the Borrower shall ensure, or cause to ensure, that:
 - (a) each Municipal Sub-borrower receiving a Municipal Sub-loan under Parts A.1 and A.2 of the Project establishes by no later than thirty (30) days following the effectiveness of the first Municipal Sub-loan Agreement to that respective Municipal Sub-borrower, and thereafter maintains throughout the period of Project implementation, a Project Implementation Unit ("PIU") for the implementation of the relevant Municipal Subproject's activities financed by this Project; and

- (b) the PIUs, established and maintained by the Municipal Sub-borrowers, have functions and responsibilities acceptable to the Bank for the implementation of the respective Municipal Subproject activities, including, *inter alia*, carrying out the administrative, procurement, environmental and social requirements, disbursement, financial management, and monitoring, evaluation and reporting requirements in accordance with the terms of this Agreement and further detailed in the Project Operations Manual.

B. Project Operations Manual.

1. The Borrower shall maintain throughout Project implementation, a Project Operations Manual (“POM”), in substance and manner acceptable to the Bank, to carry out the Borrower’s Respective Parts of the Project; said POM shall include, *inter alia*, provisions on the following:
 - (a) the parties responsible for carrying out the respective parts of the Project;
 - (b) the coordination arrangements between the relevant parties for the day-to-day execution of the Project, including specifically between the PMU and the PIUs of the Municipal Sub-borrowers under Part A of the Project;
 - (c) the detailed description of all activities under the Borrower’s Respective Parts of the Project supported under this Agreement, their sequencing and the prospective timetable and benchmarks in relation thereto;
 - (d) the detailed policies and procedures for the implementation of the Borrower’s Respective Parts of the Project, including for the selection and management of relevant Project activities, specifically for Municipal Subprojects under Part A of the Project, *inter alia*:
 - (i) the process for the Municipal Subproject applications;
 - (ii) the evaluation, prioritization and selection of Municipal Subproject applications, including the detailed qualification and selection criteria; and
 - (iii) the terms and conditions, and repayment terms, for Municipal Sub-loans and Municipal Sub-loan Agreements;
 - (e) the environmental and social obligations, Environmental and Social Instruments, and arrangements, details on the function of the grievance redress mechanism(s), and gender and citizen engagement for the Borrower’s Respective Parts of the Project, consistent with the provisions

of Section I.D of this Schedule 2 and the Environmental and Social Commitment Plan;

- (f) the financial management arrangements, requirements and detailed procedures consistent with the provisions of Section 5.09 of the General Conditions, including the functions, staffing, job descriptions (with special emphasis on the segregation of duties), workflows, internal controls and all financial management arrangements for the Borrower's Respective Parts of the Project;
 - (g) the guidelines and procedures for procurement consistent with the provisions of the Procurement Regulations;
 - (h) the requirements of the Anti-Corruption Guidelines; and
 - (i) the requirements and procedures for the monitoring, evaluation, reporting, and communications for the Borrower's Respective Parts of the Project, including specifically, the frequency and content of environmental and social monitoring reports.
2. The Borrower shall carry out the Borrower'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 and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. The POM, and any provision thereof, 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. Municipal Subprojects and Municipal Sub-loans under Parts A.1 and A.2 of the Project.

1. *Eligibility and Selection.* In carrying out Parts A.1 and A.2 of the Project, the Borrower shall ensure that, unless otherwise agreed to by the Bank in writing and thereafter incorporated into the POM, each Municipal Sub-borrower, and each Municipal Subproject is appraised, selected, and prioritized in accordance with standards, criteria and procedures acceptable to the Bank, as specified in this Agreement and further detailed in the POM, which shall include the considerations set forth below:
- (a) is aligned with the Project objectives, as set forth in Schedule 1 of this Agreement;

- (b) is technically feasible;
- (c) is economically and financially viable;
- (d) is demand and needs driven;
- (e) demonstrates substantial readiness for implementation; and
- (f) is in compliance with, and can be designed and implemented in a manner in compliance with (i) the Bank's fiduciary requirements (including financial and procurement), (ii) the Bank's Environmental and Social Standards, Section I.D of this Schedule, the Environmental and Social Commitment Plan, and the Environmental and Social Instruments (as such instruments, in the judgment of the Bank, may need to be amended to appropriately address the environmental and social considerations relevant to the proposed investments), and (iii) all other relevant terms of this Agreement, including the exclusion of Excluded Activities as defined in this Agreement and as may be further elaborated in the POM.

2. In furtherance of Section I.C.1 of this Schedule, unless otherwise agreed to by the Bank in writing and thereafter incorporated into the POM, the Borrower shall ensure that, in carrying out Parts A.1 and A.2 of the Project, each Municipal Subproject shall be appraised and selected based on eligibility criteria considerations acceptable to the Bank, which shall include the considerations set forth below:

- (a) located in water basins designated by the Government of Türkiye as water stressed, or otherwise approved by the Bank as a priority, pursuant to the Borrower's ability to show clear justification acceptable to the Bank of such, as detailed in the POM (excluding any investment involving the potential use of, or discharge into, any waterways as defined and applicable under World Bank Operational Policy 7.50, as such waterways shall be described more specifically in the POM, as agreed to by the Bank);
- (b) aligned with existing national and municipal plans and policy documents (including, *inter alia*, city development plans, and national wastewater treatment action plan);
- (c) maturity and readiness of the investments based on completeness of technical studies, including pre-feasibility studies;
- (d) identified demand on the use of treated wastewater for specific purposes, and the potential for resource recovery and envisaged related benefits; and

(e) Municipality/SKI creditworthiness.

3. Approval Procedures.

- (a) The Borrower shall appraise the Municipal Subprojects, and their feasibility studies, taking into account the eligibility and selection considerations.
- (b) The Borrower shall have assessed each proposed Municipal Sub-borrower to have minimum creditworthiness.
- (c) The Borrower shall furnish to the Bank each Municipal Subproject proposal for review and approval, which shall occur prior to the execution of a Municipal Sub-loan Agreement and the commencement of any bidding process or civil works for the relevant Municipal Subproject; such submissions shall include the proposed Subproject's feasibility study, environment and social instruments, and procurement strategy document and procurement plan, as such requirements shall be detailed in the POM.

4. Municipal Sub-loans and Municipal Sub-loan Agreements.

- (a) Municipal Sub-loan Terms. Except as the Bank shall otherwise agree, the Borrower shall provide Sub-loans to the Municipal Sub-borrowers in support of selected Municipal Subprojects on terms and conditions acceptable to the Bank, as specified in the POM, including the terms and conditions relating to the maturity, and such additional terms and conditions specified in subsection (b) below.
- (b) The Borrower shall ensure that each Municipal Sub-loan is extended under a written agreement ("Municipal Sub-loan Agreement") with each Municipal Sub-borrower on terms and conditions acceptable to the Bank, as detailed in the POM, including rights adequate to protect its interests and the interests of the Bank and the Guarantor; such shall include, *inter alia*:
 - (i) the interest rate and repayment terms of the Municipal Sub-loan;
 - (ii) the requirement that, in return for the Municipal Sub-loan, the Municipal Sub-borrower shall commit to:
 - (A) providing, promptly as needed, the resources required for the purpose of the respective Municipal Subproject;

- (B) carrying out and operating the facilities benefiting from the Municipal Sub-loan 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, social, ecological 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 POM;
 - (C) procuring civil works to be financed out of the Municipal Sub-loan in accordance with the provisions of this Agreement; and
 - (D) abiding by the provisions of the Anti-Corruption Guidelines applicable to recipients of finance proceeds other than the Borrower, and any other relevant provisions of the POM;
- (iii) notwithstanding the generalities of subsection (b) above, the requirement that each Municipal Sub-borrower to: (1) carry out the necessary feasibility studies and project design for the Municipal Subproject(s), including specifically preparing the respective Environmental and Social Assessment and all necessary Environmental and Social Instruments; (2) ensure proper construction supervision; (3) provide necessary technical and financial information, including collection and monitoring of results data, to the Borrower on time; and (4) the commitment of the Municipal Sub-borrower (as may be relevant and agreed to with the Bank) to prepare Performance Improvement Action Plan(s) to ensure the long-term sustainability in the management of the wastewater systems, resilience to climatic and non-climatic events, and innovation.
- (iv) the reservation of the right of the Borrower 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 Municipal Sub-project sites and expenditures financed by the Municipal Sub-loan, the operation thereof, and any relevant records and documents;

- (v) the requirement that the Municipal Sub-borrower concerned takes out and maintains with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Municipal Sub-loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Municipal Sub-borrower concerned to replace or repair such goods;
 - (vi) the requirement that the Municipal Sub-borrower concerned provides all such information as the Bank or the Guarantor shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Municipal Sub-borrower concerned and to the benefits to be derived from the Municipal Sub-loan; and
 - (vii) the reservation of the right of the Borrower to suspend and terminate the right of the Municipal Sub-borrower concerned to the use of the proceeds of the Municipal Sub-loan upon failure by such Municipal Sub-borrower to perform any of its obligations under its Municipal Sub-loan Agreement.
5. The Borrower shall exercise its rights under each Municipal Sub-loan Agreement in such manner as to protect the interests of the Borrower, Guarantor and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Municipal Sub-loan or any of the provisions of a Municipal Sub-loan Agreement.
6. *Ex-post Reviews.* All Municipal Sub-loans extended under Part A 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 POM.

D. Environmental and Social Standards.

- 1. The Borrower shall ensure that the Borrower's Respective Parts of 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 Borrower's Respective Parts of 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 Borrower'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 the Borrower's Respective Parts of the Project, (iii) any violent labor unrest or dispute between the Borrower or security forces (assigned to protect the Borrower'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) 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 the Borrower'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.

E. Annual Work Plan and Budget

1. The Borrower shall:
 - (a) prepare and furnish to the Bank not later than October 31st of each year during the implementation of the Borrower's Respective Parts of the Project, a proposed Annual Work Plan and Budget containing: (i) all activities to be carried out under the Borrower's Respective 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 the Borrower's Respective Parts of 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 for the Borrower's Respective Parts of the Project not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General.

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

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Municipal Sub-loans for Municipal Subprojects under Parts A.1 and A.2 of the Project	74,312,500	100%
(2) Goods, works, non-consulting services, and consulting services, Training and Operating Costs under Parts A.3 and D.1 of the Project	500,000	100%
(3) Goods, works, non-consulting services, and consulting services, Training and Operating Costs for Parts B, C, and D.2 of the Project	0	
(4) Front-end Fee	187,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	75,000,000	

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.
2. The Closing Date is December 31, 2030.

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 February 15 and August 15 Beginning August 15, 2028 through February 15, 2053	2%

APPENDIX

Definitions

1. “Annual Work Plan and Budget” means the annual work plan and budget referred to in Section I.E of Schedule 2 of 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. “Borrower’s Respective Parts of the Project” or “its Respective Parts of the Project” means Parts A and D.1 of the Project.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “*Devlet Su İşleri*” or “DSI” means the General Directorate of State Hydraulic Works, the Republic of Türkiye’s primary executive state agency established by Law 6200 (published in the Official Gazette dated December 25, 1953, and amended by the Presidential Decree No. 4 published in the Official Gazette dated July 15, 2018), under the aegis of the Ministry of Agriculture and Forestry, to be responsible for water resources planning, development and management, including the irrigation schemes within the Borrower’s territory, or any legal successor or successors thereto.
6. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Borrower’s Respective Parts of the Project, dated May 2, 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 Borrower’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.
7. “Environmental and Social Instruments” means, collectively, the Borrower’s environmental and social instruments for the project, as specified in the Environmental and Social Commitment Plan.
8. “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”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.

9. “Equal Aqua” means the collaborative platform established by the World Bank, with the support of Global Water Security and Sanitation Partnership and in collaboration with external partners, that aims to deepen the dialogue on gender diversity and inclusion in water sector jobs by connecting utilities, associations, representatives from the private sector, academia and local and international organizations and benchmarking gender inclusion in water organizations.
10. “Equal Aqua Survey means” the questionnaire developed by the World Bank with the aim to understand how water and sanitation utilities consider gender in their policies, practices, and procedures for the purpose of monitoring progress made and identifying areas for further improvement.
11. “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) an investment that is classified as a high risk, in respect to potential environmental and social impacts, in accordance with the provisions of the POM and the environmental and social management framework;
 - (c) an investment that: involves large-scale physical and economic displacement as described in Land Acquisition, Restrictions on Land Use, or Involuntary Resettlement (as defined under ESS 5); that adversely impacts sensitive habitats and species as described in Biodiversity Conservation and Sustainable Management of Living Natural Resources (as defined under ESS 6); that adversely 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; and
 - (e) an investment that involves any other exclusions agreed by the Bank and the Borrower as set forth in the POM.
12. “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).
 13. “General Directorate of State Hydraulic Works” or “DSI” means the general directorate of the same name, also known as *Devlet Su İşleri Genel Müdürlüğü*, under the Borrower’s Ministry of Agriculture and Forestry, established pursuant to Law 6200 (published in the Official Gazette dated December 25, 1953, and amended by the Presidential Decree No. 4 published in the Official Gazette dated July 15, 2018), or its legal successor or successors thereto acceptable to the Bank.
 14. “Global Water Security and Sanitation Partnership” means the multi-donor trust fund administered by the World Bank (Water Global Practice) that supports client governments to achieve the water-related Sustainable Development Goals through the generation of innovative global knowledge and the provision of country-level support, while leveraging World Bank Group financial instruments and promoting global dialogue and advocacy with key partners and clients to increase reach and impact.
 15. “*İller Bankası Anonim Şirketi*” or “ILBANK” means the development and investment bank of the same name of the Republic of Türkiye that has the status of a joint stock company and functions under Law No. 6107, published in the Republic of Türkiye’s Official Gazette on February 8, 2011, or any legal successor or successors thereto acceptable to the Bank.
 16. “Ministry of Agriculture and Forestry” means the Republic of Türkiye’s ministry of the same name or any legal successor or successors thereto.
 17. “Municipal Sub-borrower” means a Project Municipality and/or its affiliated utility, represented by the general directorate of water and wastewater administration, also referred to as SKI, established with an autonomous budget in affiliation with a respective metropolitan municipality to carry out the water supply and sanitation for the respective Project Municipality, that receives a Municipal

Sub-loan or Sub-loans; “Municipal Sub-borrowers” means collectively all such sub-borrowers, as may be relevant under the Project.

18. “Municipal Sub-loan” means a sub-loan provided to a Municipal Sub-borrower for the financing of Municipal Subproject activities under Parts A.1 and A.2 of the Project; “Municipal Sub-loans” means, collectively, all such sub-loans, as may be relevant under the Project.
19. “Municipal Sub-loan Agreement” means a sub-loan agreement as referred to in Section I.C.4(a) of Schedule 2 to this Agreement.
20. “Municipal Subproject” means a subproject for activities under Parts A.1 and A.2 of the Project; “Municipal Subprojects” means, collectively, all such subprojects, as may be relevant under the Project.
21. “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) travel, accommodation, and *per diem* associated with training, workshop, and study tour participants and trainers, and other training-related miscellaneous costs, all such costs which shall not be covered under Training, and which are based on an Annual Work Plan and Budget agreed with the Bank;
 - (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 and Project supervision;
 - (i) publication fees;
 - (j) ownership of intellectual property rights; and
 - (k) other miscellaneous expenses directly associated with the Borrower’s Respective Parts of the Project and agreed between the Bank and the Borrower.
22. “Performance Improvement Action Plan” means a comprehensive strategic work plan developed to address a variety of utility management issues, with the aim of improving the utility’s performance and enabling the utility to achieve its short-term and medium-term objectives; “Performance Improvement Action Plans” means all such plans.

23. “PPP” means public-private partnership, a partnership between the public sector and the private sector to finance and deliver a project or service.
24. “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.
25. “Project Implementation Unit” or “PIU” means the individual Project implementation unit of the participating Project Municipality or Project SKI that is responsible for implementing the relevant Project Municipality’s or Project SKI’s respective parts of the Project; “Project Implementation Units” or “PIUs” means collectively all such units, as may be relevant under the Project.
26. “Project Management Unit” or “PMU” means the unit referred to in Section I.A.1(a) of Schedule 2 to this Agreement.
27. “Project Municipality” means a metropolitan or provincial municipality in the territory of the Republic of Türkiye, and such other municipality determined to satisfy the eligibility criteria approved by the Bank, as set forth in this Agreement and as may be further detailed in the Project Operations Manual and agreed to by the Bank, that is participating in the Project; “Project Municipalities” means collectively all such municipalities, as may be relevant under the Project.
28. “Project Municipality/SKI” means any Project Municipality or Project SKI; “Project Municipalities/SKIs” means collectively all Project Municipalities and Project SKIs, as may be relevant under the Project.
29. “Project Operations Manual” or “POM” means the Project Operations Manual referred to in Section I.B of Schedule 2 to this Agreement, as the said manual may be amended from time to time, with the prior written approval of the Bank, and such term includes any schedules to the POM.
30. “Project SKI” means a SKI participating under this Project; “Project SKIs” means collectively all such SKIs, as may be relevant under the Project.
31. “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.
32. “SKI” means *Su ve Kanalizasyon Idaresi* an affiliated utility of a Project Municipality, represented by the general directorate of water and wastewater administration, established with an autonomous budget in affiliation with a respective metropolitan municipality to carry out the water supply and sanitation for the respective Project Municipality; “SKIs” means collectively all relevant SKIs, as such may be relevant under the Project.

33. “Supervisory Control and Data Acquisition” or “SCADA” means a computer-based system for gathering and analyzing real-time data to monitor and control equipment that deals with critical and time-sensitive materials or event.
34. “Training” means reasonable expenditures (excluding costs of consultants’ services) incurred for Project-related capacity building activities, including study tours, training courses, seminars, workshops and other training activities, all based on an Annual Work Plan and Budget agreed with the Bank and covered under the Procurement Plan.
35. “Wastewater Reuse Protocol” means a legally binding agreement between DSI and a municipality or SKI that specifies the roles, responsibilities, and rights of each party, as it relates to a specified wastewater reuse investment.
36. “Water User Associations” or “WUAs” means the public entities established by Law 6172, published in the Official Gazette dated March 22, 2011, or any legal successor or successors thereto.