
LOAN NUMBER 9551-TR

Loan Agreement

(Public and Municipal Renewable Energy Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

ILLER BANKASI ANONIM SIRKETI

LOAN AGREEMENT

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

WHEREAS, in furtherance of the development objective of the Project set forth in Schedule 1 to this Agreement, the Bank, acting as administrator of the Energy Sector Management Assistance Program (“ESMAP”), and ILBANK intend to enter into a grant agreement (“ESMAP Grant Agreement”) for the purpose of providing a grant in an estimated amount of one million five hundred thousand Dollars (USD 1,500,000) (“ESMAP Grant”) to assist ILBANK in the financing of Part 3(b)(i) and Part 3(b)(ii) the Project on the terms and conditions set forth in the ESMAP Grant Agreement.

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 Euros (EUR 250,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing Part 2, Part 3(b), and Part 4(b) of the project, as such 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 April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out Part 2, Part 3(b), and Part 4(b) of the Project (“ILBANK’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, namely, the Borrower shall have, to the satisfaction of the Bank:
 - (a) prepared and adopted the Project Operations Manual, in form and substance satisfactory to the Bank, consistent with Section I.B of Schedule 2 to this Agreement; and
 - (b) assigned or hired to its Project Management Unit:
 - (i) one environmental specialist to address environmental risks and impacts identified under the environmental and social assessment reports;
 - (ii) one social expert to address social risks and impacts under the environmental and social assessment reports, land acquisition, and labor issues, including stakeholder engagement and grievance redress; and
 - (iii) one occupational health and safety (“OHS”) specialist to address OHS risks and impacts under the ESA reports.
- 4.02. The Effectiveness Deadline is the date one hundred eighty (180) 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:

248423(MCI) or
64145(MCI)

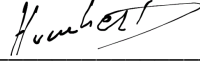
Facsimile:

1-202-477-6391.

AGREED as of the Signature Date.

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

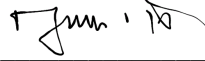
Name: J. Humberto Lopez

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 objective of the Project is to increase the use of renewable energy through self-generation in public facilities.

The Project consists of the following parts:

Part 1. Renewable energy investments in Central Government Facilities

(a) **Renewable energy investments in Central Government Facilities.**

Carrying out, through MoEUCC, of designs, design reviews, installation and civil works (including the supervision of said installation and works) for eligible renewable energy investments in Central Government Facilities (including central government affiliated facilities) used to offset the facilities' grid electricity consumption pursuant to the *Unlicensed Renewable Energy Regulation Scheme* ("RE Subprojects").

(b) **Pilot to combine renewable energy investments with heat pump installation in Central Government Facilities.**

Carrying out, through MoEUCC, of energy audits, designs, installation and civil works (including the supervision of said installation and works) for pilot subproject investments to combine solar photovoltaic ("PV") investments with electrification of heating (i.e., substituting fossil-fuel boiler capacity with heat pumps to support both heating and cooling), and investments in light-emitting diode (LED) to replace inefficient lighting technologies, to allow additional renewable energy capacity to be deployed and ultimately reduce the buildings' emissions.

Part 2. Renewable energy investments in municipalities

Establishment and operation of a financing mechanism for ILBANK to provide sub-loans ("Municipal Sub-loans") to eligible Project Municipalities and Project Enterprises (collectively "Municipal Sub-borrowers") to finance goods, civil works, consulting services and non-consulting services for the carrying out of designs, design reviews, installation and related works (including the supervision of said installation and works) for renewable energy technologies in provincial, district, and metropolitan municipalities across Türkiye ("Municipal Subprojects") to offset the relevant public facilities' overall grid electricity consumption in accordance with the *Unlicensed Renewable Energy Regulation Scheme*.

Part 3. Technical assistance and project implementation support

(a) ***Technical assistance and project implementation support for MoEUCC.***

Support of MoEUCC:

(i) *Under the ESMAP Grant:* to certify greenhouse gas credits for activities under Part 1 of the Project;

(ii) *Under the ESMAP Grant and this Loan:*

(A) to prepare feasibility studies, and provide technical inputs for procurement packages, for RE Subprojects under Part 1 of the Project; and

(B) to build the capacity of Project beneficiaries on the operations and maintenance (“O&M”) of Project investments under Part 1 of the Project; and

(iii) *Under this Loan:*

(A) to carry out early Subproject development activities under Part 1 of the Project, including marketing and outreach (but excluding related activities financed under Part 3(a)(ii) of the Project);

(B) to carry out day-to-day Project management activities, including contract management, supervision of installation and works, financial management, compliance with environmental and social framework requirements, Project monitoring and evaluation, and communications (but excluding related activities financed under Part 3(a)(ii) of the Project); and

(C) to provide training, capacity building, and knowledge sharing for MoEUCC’s Project Implementation Unit (“MoEUCC PIU”) staff and for contractors, building administrators, women in the renewable energy field, and other relevant project stakeholders (but excluding related activities financed under Part 3(a)(ii) of the Project).

(b) ***Technical assistance and Project implementation support for ILBANK.***

Support of ILBANK:

(i) *Under the ESMAP Grant:*

- (A) to install an online Supervisory Control and Data Acquisition (SCADA) database for Municipal Subproject monitoring; and
- (B) to support pursuing certification of greenhouse gas credits for Project activities, including, *inter alia*, developing documentation required to register the Project, and developing a measurement, reporting and verification framework;

(ii) *Under the ESMAP Grant and the Loan:* to extend support to Municipal Sub-borrowers, through consulting services, for activities including (A) the selection of project management consultant(s) to support Municipal Sub-borrowers in carrying out procurement activities for Municipal Subprojects under Part 2 of the Project, and (B) the hiring of said project management consultant(s); and

(iii) *Under the Loan:*

- (A) to support early Municipal Subproject development, including marketing and outreach, and preparation and/or technical review of feasibility studies;
- (B) to carry out the management of ILBANK's Respective Parts of the Project, through consulting services, including hiring of project management consultant(s) to support Municipal Sub-borrowers, and consultants to support financial management, environmental and social framework compliance requirements, project monitoring and evaluation, and communications (but excluding related activities financed under Part 3(b)(ii) of the Project); and
- (C) to provide training, capacity building, and knowledge sharing for Project Management Unit staff and for contractors, building administrators, Project Municipalities and Project Enterprises and other relevant Project stakeholders.

Part 4. Contingent Emergency Response Component

- (a) Provision, through MoEUCC, of immediate response to an Eligible Crisis or Emergency, as needed.
- (b) Provision, through ILBANK, of immediate response to an Eligible Crisis or Emergency, as needed.

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 ILBANK's Respective Parts of the Project; said responsibility shall include:
 - (a) maintaining, until the completion of ILBANK's Respective Parts 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 ILBANK's Respective Parts of the Project, including the administrative, procurement, environmental and social requirements, disbursement, financial management, and monitoring and evaluation responsibilities, and ensuring the proper application of the requirements, criteria, policies, procedures, and organizational arrangements, as set forth in this Agreement and as may be further detailed in the Project Operations Manual ("POM");
 - (b) ensuring 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 ILBANK's Respective Parts of the Project; and
 - (c) ensuring the support of the Borrower's other specialized and regional departments that shall serve to, *inter alia*, control and approve technical studies under ILBANK's Respective Parts of the Project, evaluate the financial capacity of municipalities, review technical specifications as needed, and provide other technical and administrative support in areas including investment coordination, accounting and financial services, information technology, banking services and climate change, and to monitor subproject implementation.
2. By no later than ninety (90) days following the Effective Date, the Borrower shall have executed and delivered the ESMAP Grant Agreement and have fulfilled all conditions precedent to the effectiveness of, or to the right of the Borrower to make withdrawals under, said ESMAP Grant Agreement.
3. For the implementation of Part 2 of the Project, the Borrower shall ensure, or cause to ensure, that:

- (a) each Municipal Sub-borrower receiving a Municipal Sub-loan under this Project establishes by no later than thirty (30) days following the signing of the first Municipal Sub-loan Agreement to that Municipal Sub-borrower, and thereafter maintains throughout the period of the Subproject implementation, a Project Implementation Unit (“PIU”) for the implementation of the relevant Municipal Subproject 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 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 POM.
- 4. The Borrower shall appoint representatives to, and maintain its regular participation in, the Consultative Group for Distributed Renewal Energy, which will serve to exchange lessons learned from the implementation of distributed renewable energy projects that receive government and World Bank support.
- 5. In carrying out ILBANK’s Respective Parts of the Project, the Borrower shall ensure that: (a) all expenditures financed under this Agreement are directly incurred on account of the implementation, management, and monitoring of ILBANK’s Respective Parts of the Project; and (b) in the event that the goods, consulting services, non-consulting services, Training, or Operating Costs are shared with other projects or events, such expenditures are properly prorated to the respective budgets of the relevant projects and/or events.

B. Project Operations Manual.

- 1. The Borrower shall maintain throughout Project implementation, a POM, which shall consist of different schedules setting forth rules, methods, guidelines, specific development plans, standard documents and procedures for the carrying out of ILBANK’s Respective Parts of the Project, all in substance and manner acceptable to the Bank; said POM shall include, *inter alia*, provisions on the following:
 - (a) the parties responsible for carrying out ILBANK’s Respective Parts of the Project;
 - (b) the coordination arrangements between the relevant parties for the day-to-day execution of ILBANK’s Respective Parts of the Project;

- (c) the detailed description of all activities under ILBANK's Respective Parts of the Project supported under this Agreement, their sequencing and the prospective timetable and benchmarks in relation thereto;
- (d) for Municipal Subprojects under Part 2 of the Project, *inter alia*:
 - (i) the process for the Municipal Subproject applications;
 - (ii) the evaluation, prioritization (as relevant), and selection of Municipal Subproject applications, including the qualification and selection criteria;
 - (iii) the terms and conditions, and repayment terms, for Municipal Sub-loans, and Municipal Sub-loan Agreements; and
 - (iv) the terms and procedures for the Borrower to provide implementation support to Municipal Sub-borrowers, as described in Section C.7 of this Schedule;
- (e) the detailed policies and procedures for the implementation of ILBANK's Respective Parts of the Project, including specifically:
 - (i) the environmental and social obligations, Environmental and Social Instruments, and the arrangements for the grievance redress mechanism(s), and gender and citizen engagement, for ILBANK's Respective Parts of the Project, consistent with the provisions of Section I.E of this Schedule and the Environmental and Social Commitment Plan;
 - (ii) 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 ILBANK's Respective Parts of the Project;
 - (iii) the guidelines and procedures for procurement consistent with the provisions of the Procurement Regulations;
 - (iv) the requirements of the Anti-Corruption Guidelines; and
 - (v) the requirements and procedures for Project monitoring, evaluation, reporting, and communications, including specifically, the frequency and content of environmental and social monitoring reports.

2. The Borrower shall carry out ILBANK'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 Part 2 of the Project.

1. *Eligibility and Selection.* In carrying out Part 2 of the Project, the Borrower shall extend Municipal Sub-loans for the financing of eligible activities (a) to municipalities and municipal enterprises that qualify in accordance with the eligibility and selection criteria for Project Municipalities and Project Municipal Enterprises and for Municipal Subprojects, (b) on terms and conditions acceptable to the Bank for the Borrower's provision of Municipal Sub-loans, and (c) in accordance with the procedures for such selections acceptable to the Bank. Unless otherwise agreed to by the Bank in writing and thereafter incorporated into the POM, said eligibility criteria, terms and conditions, and procedures shall include those set forth in Section I.C.2 to I.C.7 of this Schedule, as may be further detailed in the POM.
2. Without prejudice to the generalities of paragraph 1 above, the Borrower shall ensure that, each Municipal Subproject is selected and appraised in accordance with the standards, criteria and procedures acceptable to the Bank, which shall include the following requirements:
 - (a) the property for the proposed Municipal Subproject is owned by, or has been legally assigned to, the relevant Project Municipality;
 - (b) on the basis of the building administrator's confirmation, the Municipal Subproject facility (property) is not planned for relocation, closure, demolition or privatization;
 - (c) the property is not located in an area exposed to high flood risk, as determined based on the assessment criteria set forth in the POM;
 - (d) the proposed renewable energy investments are qualified for unlicensed electricity production pursuant to the *Unlicensed Electricity in the Electricity Market Production Regulation*;

- (e) the renewable energy technology proposed for the Municipal Subproject is either solar PV, in-pipe micro-hydropower, wind, or battery storage in combination with renewable energy;
- (f) the feasibility study carried out by the Project Municipality evidences the financial viability of the investment, with a maximum simple payback period of fifteen (15) years;
- (g) for rooftop solar PV Municipal Subprojects:
 - (i) the facility is considered structurally and seismically safe, based on the official assessment of a civil engineer (registered with the Turkish Chamber of Civil Engineers) as structurally and seismically safe in accordance with Turkish Building Earthquake Code; and
 - (ii) the facility has adequate energy performance, based on a Class C energy performance certificate or higher, obtained within the ten (10) years immediately prior to the date the Borrower received the relevant Municipal Subproject application; and
- (h) the proposed Municipal Subproject investments shall: (1) be aligned with the Project objective, as set forth in Schedule 1 of this Agreement; (2) be technically feasible; (3) be financially viable; (4) be demand driven; (5) demonstrate substantial readiness for implementation; and (6) be in compliance with, and can be designed and implemented in a manner in compliance with (A) the Bank's fiduciary requirements (including financial and procurement), (B) the Bank's Environmental and Social Standards, Section I.E 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 (C) 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.

3. Approval Procedures.

- (a) The Borrower shall appraise the Municipal Subprojects with appropriate consideration of their feasibility studies prepared by Project Municipalities and Project Enterprises, in a manner satisfactory to the Bank, taking into account the: (i) technical assessment; (ii) financial analysis; (iii) institutional capacity and implementation arrangements; (iv) financial management assessment; (v) procurement assessment; (vi) social and

environmental assessment; (vii) risk assessment; and (viii) readiness for implementation.

- (b) Without prejudice to the review requirements set forth, respectively, in the ESCP and the Procurement Regulations, the Borrower shall furnish to the Bank for review and prior approval the first two (2) subprojects, in each of the following categories, that are proposed for Municipal Sub-loans: (i) rooftop solar; (ii) ground-mounted solar; (iii) canopy solar PV on parking lots; (iv) in-pipe micro-hydropower; (v) wind; and (vi) battery storage in combination with renewable energy; such submissions shall include the proposed Municipal Subproject's feasibility study, the Borrower's assessment of the said Subproject's eligibility, as such requirements shall be detailed in the POM. Said Bank review and approval shall occur prior to the Borrower's execution of the respective Municipal Sub-loan Agreements and the commencement of any bidding process or civil works for the relevant Municipal Subproject.
- (c) All Municipal Subprojects may be subject to ex-post review by the Bank to verify compliance with the requirements set forth in this Agreement and detailed in the POM.

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

- (a) Except as the Bank shall otherwise agree, the Borrower shall provide Municipal Sub-loans to the Municipal Sub-borrowers in support of selected Municipal Subprojects on terms and conditions acceptable to the Bank, as detailed in the POM, 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 ("Municipal Sub-loan Agreement") with each Municipal Sub-borrower that sets forth the terms and conditions for the Municipal Sub-loan, acceptable to the Bank, and rights adequate to protect its interests and the interests of the Bank and the Guarantor, including, *inter alia*:
 - (i) requiring the Municipal Sub-borrower concerned to design, prepare (including the bidding of all related contracts), construct, and carry out (including all related Project works and use of services) all investment activities benefiting from the Municipal Sub-loan, and operate and manage the related properties (facilities), 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 ILBANK'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 required by this Agreement, and as further elaborated in the POM;

- (ii) notwithstanding the generalities of subsection (i) above, requiring the Municipal Sub-borrower concerned to:
 - (A) carry out the necessary feasibility studies and project design for the Municipal Subproject(s), including specifically preparing the respective environmental and social assessments and all necessary Environmental and Social Instruments, as may be relevant;
 - (B) ensure proper construction supervision and management of the Municipal Subproject investments, which shall include: (1) the hiring of expert firms to support the technical requirements and supervision of construction works; and (2) the inclusion in the contractual terms for the subcontractor(s) a one-year O&M period for the monitoring of the production and the correction of any deviations in the facilities, the provision of capacity building to beneficiary entities that will take over O&M responsibilities after the initial one-year period, and the verification and evaluation of the investments' power generation to assess the effectiveness and sustainability of the investments;
 - (C) provide to the Borrower necessary technical and financial information, including collection and monitoring of results data, on a timely basis to monitor and evaluate (in accordance with indicators acceptable to the Bank) the progress of the investments and the achievement of the Project objective;
 - (D) use all Municipal Sub-loan financing exclusively for the financing of eligible expenditures for the related Municipal Subproject;
 - (E) allow the Borrower to inspect by itself or jointly with representatives of the Bank and/or the Guarantor, if the Bank and/or the Guarantor shall so request, the Municipal

Subproject sites and expenditures (i.e., goods, works, plants, construction and such other expenditures) financed by the Municipal Sub-loan, the operation thereof, and any relevant records and documents; and

- (F) take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the 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;
- (iii) reserving the right to obtain 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
- (iv) reserving the right to suspend and terminate the right of the Municipal Sub-borrower concerned to use the proceeds of the Municipal Sub-loan, or to accelerate or obtain a refund of all or any part of the amount of the Municipal Sub-loan then withdrawn, upon the failure by such Municipal Sub-borrower to perform any of its obligations under its Municipal Sub-loan Agreement.

5. Implementation Support for Select Municipal Sub-borrowers.

- (a) In furtherance of Part 3(b)(ii) and Part 3(b)(iii)(B) of the Project, the Borrower shall support the Municipal Sub-borrowers in their implementation of their Municipal Subprojects (“implementation support”); said implementation support shall be in accordance with the following:
 - (i) The Borrower shall hire project management consultant(s) (“PMC”), independent of the Borrower, to carry out, for the benefit of the eligible Municipal Sub-borrowers, the process for the procurement of the design-supply-installation contract(s) and for the contracting of the supervision consultant(s); the PMC’s terms of reference for the said procurement process shall include: (A) reviewing the feasibility studies from Municipal Sub-borrowers for ILBANK approval; (B) preparing and issuing

the procurement documents for the design-supply-installation contracts; (C) preparing and issuing the request for proposals for the selection of supervision consultant(s); (D) organizing the bidding process; and (E) preparing and submitting bid evaluation reports for the consideration of the relevant Municipal Sub-borrowers;

- (ii) The Borrower shall ensure that each participating Municipal Sub-borrower shall have the opportunity to: (A) review and accept the procurement documents for the design-supply-installation contracts, the request for proposals for the selection of supervision consultants, the bidding process, and the bid evaluation reports prepared by the relevant PMC(s); and (B) accept the results of the process through the respective Municipal Sub-borrower's signing of the said contracts;
 - (iii) The Borrower shall ensure that each participating Municipal Sub-borrower shall have the opportunity to accept or reject the results of the process referred to in paragraph 5(a)(i) and (ii) above (in such event, the right of the Municipal Sub-borrower to terminate the Municipal Sub-loan Agreement shall not be restricted).
- (b) The Borrower shall provide all Municipal Sub-borrowers with the option to submit an application to directly carry out the implementation activities referred to paragraph 5(a)(i) above without the said implementation support provided by the Borrower; based on established criteria satisfactory to the Bank and detailed in the POM, the Borrower shall determine:
- (i) the respective Municipal Sub-borrower's capacity to carry out the required procurement activities identified in paragraph 5(a)(i) above, and to manage the implementation of the respective Municipal Sub-project;
 - (ii) the minimum size of the proposed Municipal Sub-project under the respective Sub-project Agreement.
- (c) For any Municipal Sub-borrower whose application referred to in paragraph 5(b) above has been declined by the Borrower, the Borrower shall offer the Municipal Sub-borrower to proceed with the Municipal Sub-loan and the implementation support referred to in paragraph 5(a) above.

- (d) The terms for the implementation support to a Municipal Sub-borrower, including those set forth in paragraph 5(a)(i), (ii) and (iii) above, shall be set forth in the respective Municipal Sub-loan Agreement, in form and substance acceptable to the Bank, for the respective Municipal Sub-borrower's consideration and acceptance.
- 6. The Borrower shall exercise its rights under the Municipal Sub-loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Municipal Sub-loan Agreements or any of their provisions.
- 7. All Municipal Sub-loans extended under Part 2 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. Contingent Emergency Response Component.

- 1. To ensure the proper implementation of contingent emergency response activities under Part 4(b) 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 that 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 ILBANK'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 ILBANK'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 ILBANK'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 ILBANK's Respective Parts of the Project, (iii) any violent labor unrest or dispute between the Borrower or security forces (assigned to protect ILBANK'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 ILBANK'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 November 30th of each year during the implementation of ILBANK's Respective Parts of the Project, a proposed Annual Work Plan and Budget containing: (i) all activities to be carried out under ILBANK'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 ILBANK'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 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 Part 2 of the Project	246,605,000	100%
(2) Consulting services for Part 3(b)(ii) of the Project	2,114,000	0% until Category 2 under the ESMAP Grant is fully withdrawn; and 100% thereafter
(3) Goods, non-consulting services, consulting services, Training and Operating Costs under Part 3(b)(iii) of the Project	656,000	100%
(4) Emergency Expenditures under Part 4(b) of the Project	0	100%
(5) 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
(6) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) 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 for:
 - (a) payments made prior to the Signature Date;
 - (b) for expenditures under Category 1, unless and until the Borrower has established an Environmental and Social Management System acceptable to the Bank; and
 - (c) for Emergency Expenditures under Category (4), 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 (4); 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 December 31, 2028.

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 April 15 and October 15 Beginning October 15, 2026 through October 15, 2038	3.85%
On April 15, 2039	3.75%

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 Schedule 2, Section III.A, to this Agreement.
4. “Central Government Facilities” means the public facilities owned by the Borrower’s central government, including central government affiliated facilities, such as education facilities, dormitories, and hospitals, but excluding such facilities related to defense, law enforcement and security, as indicated in the Excluded Activities list defined in this Appendix to the Agreement.
5. “CERC Manual” means the manual referred to in Schedule 2, Section I.D.1(a), 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.
6. “Consultative Group for Distributed Renewal Energy” means the group referred to in Schedule 2, Section I.A.4, the terms of reference for which shall be set forth in the POM.
7. “Contingent Emergency Response Component” or “CERC” means any activity or activities to be carried out under Part 4(b) of the Project to respond to an Eligible Crisis or Emergency.
8. “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.
9. “Emergency Action Plan” means the plan referred to in Schedule 2, Section I.D.1(b), to this Agreement, detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.

10. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERC Manual referred to in Schedule 2, Section I.D.1(a), to this Agreement and required for the Contingent Emergency Response Component.
11. “Energy Sector Management Assistance Program” means ESMAP as defined in this Appendix to the Agreement.
12. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for ILBANK’s Respective Parts of the Project, dated May 16, 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 ILBANK’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.
13. “Environmental and Social Instruments” means, collectively, the Borrower’s (and as relevant the Municipal Sub-borrowers’) environmental and social instruments for ILBANK’s Respective Parts of the Project, as specified in the Environmental and Social Commitment Plan.
14. “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 ILBANK’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.
15. “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 which became effective on October 1, 2018, as published by the Bank.

16. “ESMAP” means the Energy Sector Management Assistance Program, a partnership between the World Bank and 24 partners that help low and middle-income countries reduce poverty and boost growth through sustainable energy solutions.
17. “ESMAP Grant” means the grant amount referred to in the preamble of this Agreement or such final grant amount reflected in the ESMAP Grant Agreement formally executed by the Bank, as administrator of the ESMAP grant funds, and ILBANK.
18. “ESMAP Grant Agreement” means the grant agreement referred to in the preamble of this Agreement, and as such agreement may be amended from time to time; “ESMAP Grant Agreement” includes the Standard Conditions referenced therein and all appendices, schedules and agreements supplemental to the ESMAP Grant Agreement.
19. “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 substantial or high risk, in respect to potential environmental and social impacts, in accordance with the provisions of the POM and the Environmental and Social Management System;
 - (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 private buildings with public agency tenants, and facilities used for, or intended to be used for, judiciary, law enforcement, security or defense purposes, and specifically police, prison, and military facilities, including dormitories used by the personnel providing these functions; and

- (e) an investment that involves any other exclusions agreed by the Bank and the Borrower as set forth in the POM.
20. “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).
21. “ILBANK’s Respective Parts of the Project” or “its Respective Parts of the Project” means Part 2, Part 3(b), and Part 4(b) of the Project.
22. “*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.
23. “Ministry of Environment, Urbanization and Climate Change” or “MoEUCC” means the Republic of Türkiye’s ministry of the same name or any legal successor or successors thereto.
24. “MoEUCC’s Project Implementation Unit” or “MoEUCC PIU” means the project implementation unit under MoEUCC for the implementation of Parts 1, 3(a), and 4(a) of the Project.
25. “Municipal Sub-borrower” means a Project Municipality or Project Enterprise that receives a Municipal Sub-loan or Sub-loans; “Municipal Sub-borrowers” means collectively all such sub-borrowers.
26. “Municipal Sub-loan” means a sub-loan provided by the Borrower to a Municipal Sub-borrower for the financing of Municipal Subproject activities under Part 2 of the Project; “Municipal Sub-loans” means, collectively, all such sub-loans.
27. “Municipal Sub-loan Agreement” means the legally binding written agreement executed between the Borrower and a Project Municipality, represented by an authorized representative of the respective Project Municipality, referred to in Schedule 2, Section C.4(b), to this Agreement whereby the Borrower on-lends a portion of the Loan to a Municipal Sub-borrower.
28. “Municipal Subproject” means a subproject for activities under Part 2 of the Project, and referred to in Schedule 2, Section C.1-2, to this Agreement; “Municipal Subprojects” means, collectively, all such subprojects.
29. “O&M” means operations and maintenance.
30. “OHS” means occupational health and safety.

31. “Operating Costs” means reasonable incremental expenses directly incurred on account of the implementation, management, and monitoring of ILBANK’s Respective Parts of the Project by the Borrower; such costs may include, as relevant, and as the Bank may agree, for the following:
- (a) office supplies;
 - (b) office rental;
 - (c) vehicle rental;
 - (d) office and equipment maintenance and repair;
 - (e) communications;
 - (f) translation and interpretation (not covered under Training);
 - (g) travel and Project supervision;
 - (h) publication fees;
 - (i) ownership of intellectual property rights; and
 - (j) other miscellaneous expenses directly associated with the Project and agreed between the Bank and the Borrower, through the Project Implementation Agencies.
32. “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.
33. “Project Enterprise” means a public business concern, including public utilities and public transport companies, that (a) is affiliated with a municipality in the territory of the Republic of Türkiye, (b) satisfies the eligibility criteria approved by the Bank, as set forth in this Agreement and as may be further detailed in the POM and agreed to by the Bank, and (c) is participating under this Project; “Project Enterprises” means collectively all such public enterprises.
34. “Project Implementation Units” or “PIUs” means the Project implementation units of the Municipal Sub-borrowers referred to in Schedule 2, Section I.A.3(a), of this Agreement, and any legal successors thereto; “Project Implementation Unit” or “PIU” means such a unit of an individual Municipal Sub-borrower.
35. “Project Management Unit” or “PMU” means the Borrower’s Project management unit referred to in Part 3(b)(iii) of the Project and Schedule 2, Section I.A.1(a), to this Agreement and any legal successor thereto.
36. “Project Municipality” means municipality in the territory of the Republic of Türkiye that is participating under this Project; “Project Municipalities” means collectively all such municipalities.
37. “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.

38. “PV” means photovoltaic.
39. “RE Subproject” means a renewable energy subproject under Part 1 and Part 2 of the Project; “RE Subprojects” means collectively all such subprojects.
40. “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.
41. “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.
42. “Training” means the reasonable expenditures directly incurred on account of Project-related capacity building activities, including study tours, training courses, seminars, and workshops; such eligible expenditures (excluding goods, consulting services and non-consulting services in the Procurement Plan) 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.
43. “Turkish Building Earthquake Code” means the Republic of Türkiye’s code of the same name entered into force on January 1, 2019, published in the Official Gazette No. 30364, dated March 18, 2018.
44. “Unlicensed Electricity in the Electricity Market Production Regulation” means Türkiye’s Regulation No. 30772, published in the Official Gazette, dated May 12, 2019, as amended.
45. “Unlicensed Renewable Energy Regulation Scheme” means the scheme set forth in Türkiye’s *Unlicensed Electricity in the Electricity Market Production Regulation* that provides the list of electricity generation options, including distributed solar photovoltaic (PV), both rooftop and ground-mounted, for which a license to operate would not be required if used mainly for self-consumption pursuant the regulatory framework for unlicensed generation.