



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SUSTAINABLE CITIES
APPROVED ON DECEMBER 20, 2016
TO
ILLER BANKASI ANONIM SIRKETI

URBAN, RESILIENCE AND LAND

EUROPE AND CENTRAL ASIA

Regional Vice President:	Anna Bjerde
Country Director:	Auguste Tano Kouame
Acting Regional Director:	Christoph Pusch
Acting Practice Manager:	Ellen Hamilton
Task Team Leaders:	Joanna Masic, Ahmet Kindap, Canan Yildiz



ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
BOD	Biochemical Oxygen Demand
CIP	Capital Investment Plan
EU-IPA	European Union Instrument for Pre-Accession Assistance
FI	Financial Intermediary
IBRD	International Bank for Reconstruction and Development
İlbank	İller Bankası Anonim Sirketi
MTR	Mid-Term Review
PDO	Project Development Objective
PMU	Project Management Unit
RETF	Recipient-Executed Trust Fund
SCP	Sustainable Cities Project
SECAP	Sustainable Energy and Climate Action Plan
SOP	Series of Projects
SUMP	Sustainable Urban Mobility Plan
TA	Technical Assistance
TF	Trust Fund



BASIC DATA

Product Information

Project ID P128605	Financing Instrument Investment Project Financing
Original EA Category Financial Intermediary Assessment (F)	Current EA Category Financial Intermediary Assessment (F)
Approval Date 20-Dec-2016	Current Closing Date 31-Jul-2024

Organizations

Borrower ILLER BANKASI ANONIM SIRKETI	Responsible Agency ILLER Bankasi-AF P11070
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Project Development Objective (PDO)

Original PDO

The Project Development Objective is to improve the planning capacity of and access to targeted municipal services in participating municipalities and utilities.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IBRD-86770	20-Dec-2016	26-Dec-2016	27-Mar-2017	31-Jul-2024	132.77	102.73	35.45
TF-A5029	28-Sep-2017	28-Sep-2017	25-Oct-2017	30-Jun-2022	25.37	15.24	10.84

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Background

1. The Sustainable Cities Program in Turkey is designed as a series of projects (SOP) that supports Turkish cities in improving their sustainability and strengthens the overall capacity of municipalities and utilities. The first Sustainable Cities Project (SCP, P128605) has the project development objective (PDO) to improve the planning capacity of and access to targeted municipal services in participating municipalities and utilities.
2. SCP features a combination of technical assistance (TA) activities and municipal investments and is implemented through three components: Component A: Sustainable Cities Planning and Management (EUR 23.125 million Recipient-Executed Trust Fund (RETF) grant financed by the European Union -Instrument for Pre-Accession Assistance (EU-IPA); Component B: Municipal Investments (EUR 121.2 million IBRD loan financing); and Component C: Project Management (EUR 1 million counterpart financing).
3. The IBRD loan for SCP was approved on December 20, 2016, became effective on March 27, 2017, and has a loan closing date of July 31, 2024. The RETF grant for Component A became effective on October 25, 2017 and had an original grant closing date of June 30, 2020. The objective of the RETF is to contribute to the reform of policies and legislation that guide municipal planning and contribute towards improving sustainable urban development planning practices for participating municipalities. Through a previous Project restructuring in June 2020, the grant closing date was extended to June 30, 2022, following an amendment of the Trust Fund (TF) Administration Agreement between the European Commission and the Bank to extend the End Disbursement Date of the trustee-level fund to December 31, 2022.
4. The Mid-Term Review (MTR) for SCP was undertaken during April–May 2021 and recorded in an MTR Report and the implementation support mission Aide Memoire of May 2021, which confirmed relevance and achievability of the SCP PDO. The MTR restructuring was postponed until: (a) the majority of the contracting was complete, and the final indicators were further discussed with IIBank; and (b) to allow for clarity on a possible extension to the Administrative Agreement between the European Commission and the Bank.
5. Building on SCP and in line with the SOP approach, the second Sustainable Cities Project (SCP 2, P161915) was approved on April 12, 2018. SCP 2 has the objective to improve the access to targeted municipal services in participating municipalities and utilities and is financed by a EUR 73.5 million IBRD loan. SCP 2 supports investments in two municipalities, which also benefit from the TA under SCP. Additional Financing (SCP 2-AF, P170612) in the amount of EUR 500 million was approved on May 24, 2019, to scale up investments in the SOP to a broader number of municipalities and sectors. Consistent with the TA and capacity building objectives of SCP, a subset of the RETF grant-financed activities under SCP Component A are providing support for the preparation of SCP 2-AF subprojects, including for technical and financial feasibility studies as well as for environmental and social assessments.
6. All projects in the SOP are implemented through IIBank, with a dedicated Project Management Unit (PMU) within its International Relations Department. IIBank is a development and investment bank in Turkey with the mandate



to meet the financing needs of municipalities and provinces, as well as mediating fund transfers from the central government. IIBank's shareholders are municipalities and provincial administrations. For SCP implementation, IIBank plays a financial intermediary (FI) role, by on-lending the IBRD loan proceeds to participating municipalities and utilities. IIBank is also the recipient of the RETF grant under SCP Component A and is in charge of executing the grant financed activities.

B. Project Status

5. Overall, SCP is on track to meet its PDO and implementation progress has been steady. The latest Implementation Status Report (ISR) rated the Project as Moderately Satisfactory on both progress towards achievement of the PDO and overall implementation progress, based on the results of the most recent implementation support mission concluded in December 2021.
6. As a result of a severe occupational health and safety (OHS) incident under Component B, the safeguards rating in April 2021 was downgraded to Moderately Unsatisfactory. As a result IIBank took measures such as conducting a root cause analysis (RCA) and an independent OHS audit at the site where the incident occurred. The corrective action plan arising from RCA and the agreed overall safeguards corrective action plan (SCAP) for the SCP series needed to be accelerated and were partially implemented as of the last ISR in December 2021 and thus, safeguards compliance was kept as Moderately Unsatisfactory. Since the last ISR period, World Bank continues to monitor implementation of the safeguards corrective action plan agreed with IIBank, and IIBank is putting effort to follow up the remedial actions identified in the SCAP, with the municipalities. Another severe OHS incident occurred at one of the Project's construction sites – under the responsibility of the same municipality where the previous severe incident occurred - in March 2022. This latest incident is currently under investigation to determine the root causes and any additional follow-up actions that may be needed. The safeguards rating will be reconsidered based on the improvements in the next ISR period.
7. For SCP Component A: Sustainable City Planning and Management Systems, as of January 2022, one contract is completed, 45 contracts were under implementation, and three contracts were in the final stages of procurement. Accordingly, 85 percent of the total grant amount has been committed or contracted by IIBank. Disbursement from the RETF stands at 44 percent. Subcomponent A.1 has been providing TA on sustainability diagnostics, integrated urban water management plans, medium-term planning and capital investment plans, and municipal finance self-assessments for 10 metropolitan municipalities (Antalya, Balikesir, Denizli, Kahramanmaraş, Kayseri, Malatya, Mardin, Mugla, Ordu, Van). In addition, complementary tools are being piloted in four other municipalities, specifically Sustainable Urban Mobility Plans (SUMP) for Eskisehir and Konya, and Sustainable Energy and Climate Action Plans (SECAP) for Adana and Manisa. Subcomponent A.2: Preparation of Feasibility Studies, Environmental Assessments, and Engineering Designs has been harnessed to support the preparation of SCP 2-AF subprojects. All contracts for preparation of these studies, organized into four groups of municipalities, were awarded in the period February-August 2021, with work by all consultants fully underway.
8. Under SCP Component B: Municipal Investments, five works contracts in the participating municipal utility of MUSKI are well underway. Two works contracts at the other utility, DESKI, are already nearing completion, and procurement for two more contracts is underway. Overall, infrastructure financed under this Component has already provided 260,000 people with access to improved sanitation facilities and 95,000 people in urban areas



with access to improved water sources. Disbursement from the IBRD loan stands at 64 percent, with the remaining loan proceeds expected to be fully disbursed by the Project closing date.

C. Rationale for Restructuring

7. The Project's Mid-Term Review (MTR) in mid-2021 identified a need to revise upwards several end targets in the SCP results framework, based on the scope of actual contracts awarded under both Component A (technical assistance and capacity building) and Component B (municipal investments). Given the conceptualization of SCP as a SOP with a framework approach and demand-driven nature, the exact municipalities and utilities to benefit under Component A had not yet been selected at appraisal and the expected investments under Component B had been identified based on preliminary feasibility studies only. Revising the end targets now would more accurately reflect the results expected from the Project based on the actual selection of municipalities and investments. It would also ensure that the Project's results framework more clearly tracks the Project's performance based on the latest status, for better monitoring of overall Project progress. The end targets to be adjusted include those for selected indicators at both the PDO and the intermediate results level, and for both Component A and B. All revised targets are higher than the original targets, and all proposed target revisions were fully discussed with IIBank during the MTR, were duly noted in the MTR report, and reconfirmed (with minor adjustments) at the time this restructuring paper was prepared. The MTR restructuring was postponed until now since (a) the majority of contracting is complete and the final indicators further discussed with IIBank; and (b) to allow for further clarity on any possible extension to the Administrative Agreement between the EC and the Bank. Further details on the revisions as part of the restructuring are provided below.
8. IIBank submitted a formal request to the Bank for an extension of the RETF grant closing date. Restrictions related to the COVID-19 pandemic and successive waves of new COVID-19 variants in Turkey had slowed down project implementation over the last two years. The ramping up of SCP 2 and SCP 2-AF implementation, with ongoing training and capacity development for IIBank staff, and further expansion of the portfolio of projects at IIBank during the same time posed additional challenges for timely implementation of SCP.
9. The requested extension would enable IIBank to complete remaining activities under Component A, such as SUMP, SECAP and SCP 2-AF subproject preparation studies, to a high standard, which requires adequate time for review and quality assurance of the deliverables, as well as to ensuring adequate time for dissemination. It will also allow for any final procurement of goods and equipment required to support the implementation of these plans. As work under all contracts under Component A are fully underway, the expected outputs are achievable within the timeframe of the extension, and IIBank's recent performance in expediting the activities under Component A has been satisfactory.

II. DESCRIPTION OF PROPOSED CHANGES

10. The two specific changes proposed are:

- (i) Revision to selected end targets in the Project's results framework; and
- (ii) a two-month extension of the RETF grant closing date from June 30, 2022, to August 31, 2022.



11. **Revision of End Targets.** The proposed revised end targets are reflected in the Project’s full results framework in the separate section below. For ease of reference, Table 1 summarizes the specific indicators for which revised end targets are proposed and provides a direct comparison of the original and revised targets. All revised targets are higher than the original targets, so there is in fact no reduction in outputs or results in relation to what was originally anticipated at the time of project approval.

Table 1: Summary and Comparison of Proposed Revisions to End Targets

Indicator Name	Original End Target	Revised End Target
Project Development Objective Indicators by Objectives/ Outcomes		
Sectoral, spatial, and capital investment plans developed under Component A (Number)	13	20
Volume (mass) of BOD pollution load removed by treatment plant under the project (Tons/year)	9,600 ¹	10,000
People provided with access to improved sanitation facilities under the project (CRI, Number)	285,000	393,000
Intermediate Results Indicators by Components		
Financial management tools and/or capital investment plans developed under the project - Component A municipalities (Number)	8	20
Feasibility studies financed under Component A of the project (Number)	6	35
Length of sewerage pipes laid under the project (progress indicator) (kilometers)	280	525
Number of people in urban areas provided with access to improved water sources under the project (Number)	92,000	140,000

12. **Extension of RETF Grant Closing Date.** The closing date for the RETF grant TFOA5029 is proposed to be extended by an additional two months, from June 30, 2022, to August 31, 2022. This will be the second extension of the RETF grant closing date, reaching 26 cumulative months of extension. As the contracts for Component A are fully underway (see Para 6 for details of the ongoing RETF-financed activities), all activities under the RETF are expected to be completed, and funds disbursed, before the revised closing date, with the expected outputs achieved within the timeframe of the proposed extension. While IIBank had requested a six (6) month extension to the RETF, the EU Delegation to Turkey informed the Bank that the EC is unable to extend the EDD of the Administrative Agreement between the EC and the Bank. Therefore, no change is proposed for the End Disbursement Date of the trustee-level fund (TF072646), which remains December 31, 2022.

¹ In the original Project Appraisal Document, this indicator was presented as 9.600 instead of 9,600. This was a misrepresentation of the figure (a decimal point was used in error instead of a comma). This is corrected in the attached results framework.



13. The extension of the grant closing date by two months would instead reduce the disbursement grace period from the standard four months to two months, i.e. from September 1, 2022 to October 31, 2022 for the submission and completion of disbursement applications by IIBank. The Bank will still retain the standard two months to process all withdrawal applications and fully close the trust fund account by the End Disbursement Date (December 31, 2022) at the Trustee level.
14. The task team is confident that the funds deposited in the RETF TFOA5019 will be fully disbursed by October 31, 2022, and proceeds of the Grant remaining unwithdrawn after this deadline for withdrawal applications will be canceled. Further, there are no outstanding audit reports for the RETF and previous audits were found satisfactory to the Bank.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Loan Closing Date(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓



Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-86770	Effective	31-Jul-2024			
TF-A5029	Effective	30-Jun-2020	30-Jun-2022	31-Aug-2022	31-Oct-2022



Results framework

COUNTRY: Turkey
SUSTAINABLE CITIES

Project Development Objectives(s)

The Project Development Objective is to improve the planning capacity of and access to targeted municipal services in participating municipalities and utilities.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
PDO Indicators										
Sectoral, spatial and capital investment plans developed under Component A (Number)	0.00	0.00	1.00	3.00	8.00	13.00	13.00	13.00	13.00	20.00
<i>Action: This indicator has been Revised</i>										
Volume(mass) of BOD pollution load removed by treatment plant under the project (Tones/year)	0.00	0.00	0.00	6,900.00	7,400.00	8,000.00	8,500.00	9,100.00	10,000.00	10,000.00
<i>Action: This indicator has been Revised</i>										
People provided with access to ‘improved sanitation facilities’	0.00	0.00	220,000.00	250,000.00	260,000.00	270,000.00	275,000.00	285,000.00	393,000.00	393,000.00



Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
under the proj. (CRI, Number)										
Action: This indicator has been Revised										
People provided with access to “improved sanitation facilities” - urban (Number)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Component A: Sustainable City Planning and Management Systems										
Financial management tools and/or Capital Investment plans developed under the Project. Comp A Municipalities (Number)		0.00	0.00	2.00	3.00	6.00	8.00	8.00	8.00	20.00
Action: This indicator has been Revised										
Feasibility studies financed under Comp A		0.00	0.00	1.00	3.00	5.00	6.00	6.00	6.00	35.00



Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
of the Project (Number)										
<i>Action: This indicator has been Revised</i>										
Component B: Municipal Investments										
Length of sewerage pipes laid under the Project (progress indicator) (Kilometers)		0.00	0.00	125.00	160.00	220.00	260.00	270.00	280.00	525.00
<i>Action: This indicator has been Revised</i>										
Number of people in urban areas provided with access to Improved Water Sources under the project (Number)		0.00	0.00	30,000.00	72,000.00	85,000.00	90,000.00	91,000.00	92,000.00	140,000.00
<i>Action: This indicator has been Revised</i>										
Number of water utilities that the project is supporting (Number)		0.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Direct project beneficiaries (Number)		0.00	0.00	706,000.00	1,100,000.00	1,150,000.00	1,200,000.00	1,250,000.00	1,280,000.00	1,300,000.00
Female beneficiaries (Number (Thousand))		0.00	0.00	353.00	550.00	575.00	600.00	625.00	640.00	650.00

