

Public Disclosure Authorized

OFFICIAL DOCUMENTS

LOAN NUMBER 8843-TR

Loan Agreement

(Sustainable Cities Project 2)

between

ILLER BANKASI ANONIM SIRKETI

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 16, 2018

LOAN NUMBER 8843-TR

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between ILLER BANKASI ANONIM SIRKETI (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). 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-three million five hundred thousand Euros (EUR73,500,000), 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 Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, without limitation upon this commitment, and except as the Borrower, the Guarantor, and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS

- 4.01. 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
Kizilirmak Mahallesi
Ufuk Üniversitesi Caddesi No: 12
06510 Cukurambar/Cankaya
Ankara
Republic of Turkey; and

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

Facsimile:
90 312 508 79 49

- 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:

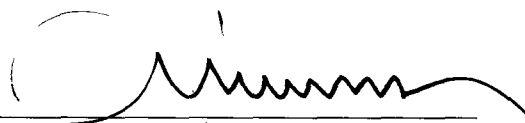
Telex:
248423(MCI) or
64145(MCI)

Facsimile:
1-202-477-6391

AGREED as of the Signature Date.

ILLER BANKASI ANONIM SIRKETI

By

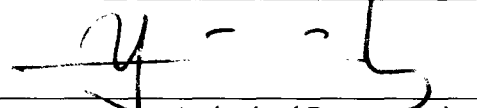

Authorized Representative

Name: Mücahit DEMİR TAŞ

Title: Yönetim Kurulu Başkanı

Date: 16.05.2018

By


Authorized Representative

Name: Yusuf BÜYÜK

Title: Genel Müdür

Date: 16.05.2018

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By


Authorized Representative

Name: Tamara Sulukhia

Title: Acting Country Director

Date: May 16, 2018

SCHEDULE 1

Project Description

The objective of the Project is to improve the access to targeted municipal services in participating municipalities and utilities.

The Project constitutes a phase of the Program, and consists of the following parts:

Part A. Municipal Investments

1. Financing of demand-driven municipal infrastructure investments, through the provision of Sub-loans to Sub-borrowers (including municipalities and their affiliated utilities) to finance the cost of goods, works, non-consulting and consulting services that are required for the carrying out of Sub-project investments in eligible sectors, including, *inter alia*, public transport, water and sanitation, solid waste management, and energy sectors.
2. Provision of technical consulting services for the supervision of design and construction activities carried out under Sub-projects.

Part B. Project Management

Provision of goods, non-consulting and consulting services in support of the Borrower in Project management, monitoring and evaluation, public outreach, and communications.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall:
 - (a) maintain, until the completion of the Project, the Project Management Unit (“PMU”), established within its International Relations Department, and responsible for coordinating and supervising Project implementation, and for providing implementation support to Sub-borrowers; and
 - (b) ensure that the PMU functions at all times in a manner and with staffing, budgetary resources, and authority necessary and appropriate for satisfactory Project implementation, and all of which shall be acceptable to the Bank.
2. By no later than sixty (60) days after the signing of each respective Sub-loan Agreement, the Borrower shall ensure that the respective Sub-borrower establishes, and thereafter maintains throughout the implementation of the respective Sub-projects, a dedicated unit with budgetary resources and staffing (all with adequate qualifications, experience and authority) necessary for the appropriate implementation of the respective Sub-projects, all in a manner acceptable to the Bank.

B. Project Operational Manual

1.
 - (a) The Borrower shall, no later than forty-five (45) days after the Effective Date, update the OM to cover the implementation of this Project, in a manner acceptable to the Bank.
 - (b) The Borrower shall maintain and carry out the Project in accordance with the Operational Manual (“OM”) setting out, *inter alia*:
 - (i) policies and procedures (A) relating to implementation of the Project, and (B) for the selection and financing of Sub-projects;
 - (ii) financial management arrangements, requirements and detailed procedures consistent with the provisions of Section 5.09 of the General Conditions;
 - (iii) guidelines and procedures for procurement consistent with the provisions of the Procurement Regulations; and

- (iv) safeguards obligations consistent with the provisions of Section I.D of this Schedule 2 and the requirements of the Anti-Corruption Guidelines.

C. Sub-projects

1. With respect to Part A.1 of the Project, the Borrower shall make Sub-loans to Sub-borrowers for the carrying out of Sub-projects, all in accordance with eligibility criteria and procedures acceptable to the Bank and as set out in the OM.
2. The Borrower shall:
 - (a) make each Sub-loan under a Sub-loan Agreement with the respective Sub-borrower on terms and conditions set forth in the OM, including without limitation, the terms and conditions set forth in Annex 1 to this Schedule;
 - (b) obtain, through the Sub-loan Agreement, rights adequate to protect its interests and those of the Bank and the Guarantor, including the right to suspend or terminate the right of a Sub-borrower to use the proceeds of the Sub-loan, or to obtain a refund of all or any part of the amount of the Sub-loan then withdrawn, upon the Sub-borrower's failure to perform any of its obligations under the Sub-loan Agreement;
 - (c) obtain the Bank's approval of the Sub-loan and its related Sub-project prior to the execution of a Sub-loan Agreement with a Sub-borrower concerned; and
 - (d) exercise its rights and carry out its obligations under each Sub-loan Agreement in such manner as to protect the interests of the Borrower, the 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 Sub-loan Agreement or any of its provisions.
3. The Borrower shall, except as the Bank and the Borrower may otherwise agree:
 - (a) open and thereafter maintain on its books, in accordance with its normal financial practices and on conditions acceptable to the Bank, and ensures that the Sub-Borrowers open separate escrow accounts to which it shall credit each payment of interest or other charges on, or repayment of principal payments under, any Sub-loan; and
 - (b) utilize all amounts so credited to said separate escrow account to meet the Borrower's payment or repayment obligations to the Bank under this Agreement, without prejudice to the Borrower's obligation to make all such payments and repayments to the Bank even if the amounts in said escrow account are insufficient to cover such obligations.

D. Safeguards

1. The Borrower shall, and cause each relevant Sub-borrower to, with respect to civil works under the Project: (a) prepare an Environmental and Social Impact Assessment (“ESIA”), Partial ESIA, or Environmental and Social Management Plan (“ESMP”), as the case may be, in accordance with the principles and procedures set forth in the Environmental and Social Management Framework (“ESMF”); (b) thereafter, provide said ESIA, Partial ESIA, or ESMP to the Bank for review; and (c) commence and implement such works in accordance with said ESIA, Partial ESIA or ESMP as shall have been accepted by the Bank as being satisfactory.
2. The Borrower shall, and cause each Sub-borrower to:
 - (a) take all necessary actions to minimize, to the extent possible, any Involuntary Resettlement, in carrying out the Project; and
 - (b) for this purpose, whenever implementation of Project activities would give rise to Displaced Persons with respect to civil works related to said activities: (i) prepare, and cause to be prepared, a Resettlement Action Plan (“RAP”) for sites where pre-screening has identified resettlement impacts, in accordance with the principles and procedures set forth in the Land Acquisition and Resettlement Policy Framework (“LARPF”); (ii) thereafter, provide said RAP to the Bank for review; and (iii) commence and implement such works in accordance with the RAP as shall have been accepted by the Bank as being satisfactory.
3. The Borrower shall ensure that the ESMF, LARPF, ESIA, Partial ESIA, ESMP, RAP, and any provision thereof, shall not be amended, suspended, abrogated, terminated or waived or permitted to be amended, suspended, abrogated, terminated or waived, except with the prior written consent of the Bank.
4. The Borrower shall cause each Sub-borrower to ensure, in relation to any Involuntary Resettlements under the Project, the payment of all expenditures and any other related payments referenced under the RAPs.
5. The Borrower shall:
 - (a) maintain, and cause each Sub-borrower to maintain, policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of any of the ESMF, LARPF, ESIA, Partial ESIA, ESMP, RAP, and the achievement of the objectives of said frameworks and plans, and, as relevant, incorporate within the terms of reference of any technical services the requirements of the Bank’s Safeguards Policies then in force,

and ensure that the Bank's Safeguard Policies are applied to the advice conveyed through such technical assistance; and

- (b) include in the Project Report, which is to be prepared under Section II of this Schedule, the results of the monitoring and evaluation activities with respect to the frameworks and plans referred to in sub-paragraph (a) above.

6. The Borrower shall:

- (a) as soon as reasonably practicable, but no later than seven (7) working days after the occurrence of a Significant Event, inform the Bank by any electronic means of the nature of the incident, accident, or circumstance and any effect or impact (whether on-site or off-site) resulting or likely to result there from;
- (b) as soon as reasonably practicable, but no later than thirty (30) calendar days after such Significant Event, provide the Bank with a summary report that includes a description of such Significant Event, and the measures, if any, that the Sub-borrower is taking or plans to take to address such Significant Event and to prevent any future similar event; and
- (c) keep the Bank informed of the on-going implementation of the said measures and plans.

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; (b): (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) Goods, works, non-consulting services, and consulting services for Part A of the Project	73,316,250	100%
(2) Front-end Fee	183,750	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	73,500,000	

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 August 31, 2025.

**ANNEX 1
to
SCHEDULE 2**

For the purposes of Section I.C.2 of this Schedule 2, the terms and conditions of Sub-Loans made available to Sub-borrowers shall be those set forth below.

TERMS

1. The principal amount to be relented out of the proceeds of the Loan to a Sub-borrower under its respective Sub-loan Agreement shall be denominated in Euro.

CONDITIONS

2. When presenting a Sub-loan to the Bank for approval, the Borrower shall furnish to the Bank an application, in form acceptable to the Bank, together with:
 - (a) a description of the Sub-borrower and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan;
 - (b) evidence of compliance with the Operational Manual and specifically with the environmental review and land acquisition procedures set forth in the Operational Manual;
 - (c) evidence of compliance with Sub-loan evaluation criteria adopted by the Borrower and acceptable to the Bank; and
 - (d) such other information as the Bank or the Borrower shall reasonably request.
3. Sub-loans shall be made to the Sub-borrowers which each shall have established and maintain during the duration of its respective Sub-loan, to the satisfaction of the Borrower that:
 - (a) it has no overdue payments to the Guarantor's Undersecretariat of Treasury; and
 - (b) it has a satisfactory financial structure and the organization, management, staff and financial and other resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project.
4. The Sub-loans shall be made for Sub-projects which are each determined, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank set forth in the Operational Manual, to:

- (a) be technically feasible, economically and financially viable, and environmentally beneficial and sustainable;
 - (b) support infrastructure investments, including in the public transport, water and sanitation, solid waste management, and energy sectors;
 - (c) be in compliance with the ESMF and LARPF; and
 - (d) be in compliance with the requirements pertaining to environmental protection applicable under the laws and regulations of the Guarantor and the environmental review and land acquisition procedures set forth in the Operational Manual.
5. Sub-loans shall be made on terms whereby the Borrower shall obtain, through Sub-loan Agreements with the Sub-borrowers, rights adequate to protect its interests and those of the Bank and the Guarantor, including the right to require the Sub-borrower to:
- (a) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower;
 - (b) provide, promptly as needed, the resources required for the purpose;
 - (c) procure the goods, works and services to be financed out of the Sub-loan in accordance with the provisions of this Agreement;
 - (d) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives;
 - (e) comply with environmental review and land acquisition procedures set forth in the ESMF and LARPF respectively and:
 - (i) with respect to civil works under its Sub-project, to: (A) prepare an ESIA, Partial ESIA, and/or ESMP as the case may be, in accordance with the principles and procedures set forth in the ESMF; (B) thereafter, provide said ESIA, Partial ESIA, and/or ESMP to the Bank for review; and (C) commence and implement such works in accordance with the ESIA, Partial ESIA, and/or ESMP as shall have been accepted by the Bank as being satisfactory;

- (ii) (A) take all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently in carrying out the Project; and (B) for this purpose, whenever implementation of Project activities would give rise to Displaced Persons, with respect to civil works related to said activities: (1) prepare, and cause to be prepared, a RAP in accordance with the principles and procedures set forth in the LARPF; (2) thereafter, provide said RAP to the Bank for review; and (3) commence and implement such works in accordance with the RAP as shall have been accepted by the Bank as being satisfactory; and
 - (iii) ensure that the ESMF, LARPF, ESIAs, Partial ESIAs, ESMPs, and RAPs and any provision thereof, shall not be amended, suspended, abrogated, terminated or waived, except with the prior written consent of the Bank.
- (f) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (ii) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank;
- (g) enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents; and
- (h) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each March 15 and September 15, Beginning September 15, 2023, through March 15, 2048	2%

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 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.
2. “Bank’s Safeguards Policies” means the Bank’s operational policies and procedures, set forth in the Bank’s operational manual and identified as OP/BP 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60, as said manual is published under www.WorldBank.org/opmanual.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Displaced Persons” means persons who, as a result of the execution of the Project, would be subject to Involuntary Resettlement; “Displaced Person” means any of such Displaced Persons.
5. “Environmental and Social Impact Assessment” or “ESIA” means a site-specific environmental and social impact assessment, prepared in accordance with the ESMF and the provisions of Section I.D.1 of Schedule 2 to this Agreement and acceptable to the Bank, and providing details of the specific actions, measures and policies designed to facilitate the achievement of the objective of the ESMF.
6. “Environmental and Social Management Framework” or “ESMF” means the framework prepared by the Borrower and disclosed by the Borrower on its website on January 19, 2018, and in the Bank’s website on January 19, 2018, which framework sets forth, *inter alia*, policies and procedures for: screening (including, *inter alia*, impact on physical cultural resources, and natural habitats) of proposed Project activities; preparation of environmental assessment and environment management plans therefor; consultation and disclosure and monitoring and reporting during the implementation of the Project, as said framework may be amended from time to time with the prior concurrence of the Bank.
7. “Environmental and Social Management Plan” or “ESMP” means a site-specific environmental management plan, prepared in accordance with the ESMF and the provisions of Section I.D.1 of Schedule 2 to this Agreement and acceptable to the Bank, and giving details the specific actions, measures and policies designed to facilitate the achievement of the objective of the ESMF.

8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated July 14, 2017.
9. “Involuntary Resettlement” means any direct economic and social impact caused by: (a) the involuntary taking of land resulting in (i) relocation or loss of shelter, (ii) loss of assets or access to assets, and (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of such person.
10. “Land Acquisition and Resettlement Policy Framework” or “LARPF” means the Land Acquisition and Resettlement Policy Framework prepared by the Borrower and disclosed in the Borrower’s website on January 19, 2018, and the Bank’s website on January 19, 2018, which framework sets out the policies and procedures for land acquisition, resettlement, compensation and rehabilitation of Displaced Persons, preparation of resettlement action plans therefor, consultation, disclosure, grievance redress, and monitoring and reporting during Project implementation, as said framework may be revised from time to time with the prior agreement of the Bank.
11. “Operational Manual” and “OM” mean the manual referred to in Section I.B of Schedule 2 to this Agreement, adopted by the Borrower and satisfactory to the Bank, and which sets out the policies and procedures for the implementation of the Project. In case of any conflict between the terms of the OM and those of this Agreement, those of this Agreement shall prevail.
12. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017.
13. “Program” means the Borrower’s Sustainable Cities Program that supports three dimensions of city sustainability (environmental, economic/financial and social) and is implemented through a series of projects.
14. “Project Management Unit” or “PMU” means the project management unit of the Borrower, established on April 29, 2005, and confirmed by a decision of the Board of Directors of the Borrower on January 25, 2006, or any legal successor to such unit.
15. “Resettlement Action Plan” and RAP” mean a site-specific resettlement action plan relating to land acquisition and/or resettlement or economic displacement of Displaced Persons, as the case may be, prepared in accordance with the LARPF and the provisions of Section I.D.2 of Schedule 2 to this Agreement and acceptable

to the Bank; “Resettlement Action Plans” and “RAPs” mean, collectively, all such RAPs.

16. “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.
17. “Significant Event” means: (a) any significant social, labor, health and safety, security or environmental incident, accident, or circumstance involving the Project (or Sub-Projects), including, without limitation, explosions, spills, and any workplace accidents that result in death, serious or multiple injury, material pollution, or any violent labor unrest or dispute between the Borrower, a Sub-borrower or security forces (assigned to protect the Project or Sub-Projects) and local communities; or (b) any other event or circumstance having, or which could reasonably be expected to have, a material adverse effect on the implementation or operation of the Project in accordance with the ESMF.
18. “Sub-borrower” means a municipality or utility, which satisfies the appropriate criteria as set out in the Operational Manual and in paragraph 3 of Annex 1 to Schedule 2 to this Agreement, to which the Borrower proposes to make or has made a Sub-loan.
19. “Sub-loan” means a loan made, or proposed to be made by the Borrower, out of the proceeds of the Loan for purposes of financing all or a portion of the expenditures incurred by a Sub-borrower for goods, works, non-consulting and consulting services under a Sub-project.
20. “Sub-loan Agreement” means an agreement entered or to be entered into between the Borrower and a Sub-borrower pursuant and referred to in Section I.C.2 of Schedule 2 to this Agreement and paragraph 5 of Annex 1 to Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Sub-loan Agreement.
21. “Sub-project” means a specific project selected in accordance with provisions of paragraph 4 of Annex 1 to Schedule 2 to this Agreement, which is proposed to be carried out by a Sub-borrower, in whole or in part, through the utilization of the proceeds of a Sub-loan.