Global Environment Facility
Trust Fund Grant Agreement

(Small and Medium Enterprises Energy Efficiency Project)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated May 6, 2013
GEF TRUST FUND GRANT NUMBER TF014579

GLOBAL ENVIRONMENT FACILITY TRUST FUND

GRANT AGREEMENT

AGREEMENT dated May 6, 2013, entered into between:
REPUBLIC OF TURKEY ("Recipient"); and INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as an
implementing agency of the Global Environment Facility ("GEF").

The Recipient and the World Bank hereby agree as follows:

Article I

Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various
Funds, dated February 15, 2012 ("Standard Conditions"), constitute an integral
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 Standard Conditions or in the
Appendix to this Agreement.

Article II

The Project

2.01. The Recipient declares its commitment to the objectives of the project described
in Schedule 1 to this Agreement ("Project"). To this end, the Recipient, through its
implementing agency, MENR, shall carry out Part D of the Project in accordance
with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and
except as the Recipient and the World Bank shall otherwise agree, the Recipient,
through its implementing agency, MENR, shall ensure that Part D of the Project
is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III

The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to nine hundred forty thousand United States Dollars ($940,000) ("Grant") to assist in financing Part D of the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV

Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Undersecretary of Treasury.

4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Basbakanlik
Hazine Mustesarligi
 İmonu Bulvari
Emek-Ankara
Turkey

Facsimile:

(90) (312) 204-7366
(90) (312) 204-7367
4.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391

Article V

Effectiveness, Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following conditions have been satisfied:

(a) The Loan Agreements have been executed and delivered and all conditions precedent to their effectiveness or to the right of each of the Borrowers to make withdrawals under the Loan Agreements have been fulfilled.

(b) The Recipient, through MENR, has adopted the Implementation Plan.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.
AGREED at Ankara, Republic of Turkey, as of the day and year first above written.

REPUBLIC OF TURKEY

By

Authorized Representative

Name: Elvan Ongun Esen
Title: Acting Deputy Director General

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as an Implementing Agency of the Global Environment Facility

By

Authorized Representative

Name: Martin Raiser
Title: Director
SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency of energy use in small and medium enterprises in the Republic of Turkey, by scaling-up commercial bank lending for energy efficiency investments.

The Project consists of the following parts:

Part A: Credit Line to Halkbank

1. The establishment and operation of a credit facility within Halkbank for the financing of Sub-projects through the provision of Sub-loans by Halkbank to Sub-project Sponsors to finance the cost of carrying out Sub-projects.

2. The establishment of a loan loss reserve fund within Halkbank to assist in defraying risks associated with new energy efficiency loan products and in addressing SME collateral requirements.

3. Enhancement of the capacity of Halkbank to implement this Part A of the Project.

Part B: Credit Line to Vakifbank

1. The establishment and operation of a credit facility within Vakifbank for the financing of Sub-projects through the provision of Sub-loans by Vakifbank to Sub-project Sponsors to finance the cost of carrying out Sub-projects.

2. The establishment of a loan loss reserve fund within Vakifbank to assist in defraying risks associated with new energy efficiency loan products and in addressing SME collateral requirements.

3. Enhancement of the capacity of Vakifbank to implement this Part B of the Project.

Part C: Credit Line to Ziraatbank

1. The establishment and operation of a credit facility within Ziraatbank for the financing of Sub-projects through the provision of Sub-loans by Ziraatbank to Sub-project Sponsors to finance the cost of carrying out Sub-projects.

2. The establishment of a loan loss reserve fund within Ziraatbank to assist in defraying risks associated with new energy efficiency loan products and in addressing SME collateral requirements.
3. Enhancement of the capacity of Ziraatbank to implement this Part C of the Project.

**Part D: Energy Efficiency Policy and Project Management Support to MENR**

1. Enhancement of the enabling environment for, and the fostering of, broader energy efficiency market development in the Republic of Turkey through, inter alia, the following activities to be carried out by MENR:

   (a) Market development and information dissemination, including: (i) raising awareness of, and providing training and disseminating information on, opportunities for energy efficiency and the success of schemes used in the credit lines established under the Project; (ii) carrying out market studies and assessments and developing options for future investment programs beyond the SME market; and (iii) establishing a dialogue with stakeholders.

   (b) Strengthening of the energy efficiency and regulatory regimes, including carrying out: (i) reviews of energy efficiency policies and developing recommendations for improvement especially in the SME sector; reviews of energy efficiency incentive and informational programs (including impact assessments) and developing recommendations to improve utilization and impact of those programs; and reviews of institutional arrangements to strengthen the energy efficiency policy and implementation function in all sectors; and (ii) staff training.

2. Support MENR’s management of activities under this Part D of the Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. Except as the World Bank shall otherwise agree, the Recipient:

(a) shall maintain, until the completion of Part D of the Project, the Project Management Unit ("PMU") established within the Department for EU Affairs and IFIs of the General Directorate for EU Affairs and Foreign Relations, MENR, responsible for coordinating implementation and financial management under Part D of the Project; and

(b) shall ensure that the PMU functions at all times in a manner and with staffing and budgetary resources necessary and appropriate for implementation of Part D of the Project, and satisfactory to the Bank.

2. The Recipient shall ensure that Part D of the Project is carried out in accordance with the provisions of 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 ("Anti-Corruption Guidelines"), which are applicable to all IBRD loans and IDA credits and grants.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of Part D of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for Part D of the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for Part D of the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, non-consulting-services and consultants' services required for Part D of the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) in the case of goods and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for Part D of the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services (including Training and related logistical and organization services for Training) for those contracts specified in the Procurement Plan: Shopping.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Selection based on Consultants' Qualifications; (b) Single-source selection of consultants' services; (c) Selection of Individual Consultants; and (d) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the
amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consultant services, consultants’ services and Training under Part D of the Project</td>
<td>940,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

TOTAL AMOUNT 940,000

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is September 28, 2018.

Section V. Other Undertakings

1. The Recipient, through MENR: (a) shall furnish to the World Bank for approval, a time-bound plan for the implementation of Part D of the Project; and (b) shall adopt and implement such plan as shall have been approved by the Bank (“Implementation Plan”). The Implementation Plan may be amended from time to time with the agreement of the World Bank.
APPENDIX

1. "Borrower" means, individually, any of Halkbank, Vakıfbank and Ziraatbank; and "Borrowers" means, collectively, Halkbank, Vakıfbank and Ziraatbank.

2. "ESCO" means an energy service company that is engaged through performance-based contracts to reduce energy consumption and improve efficiency of operations of its clients.

3. "Halkbank" and "Türkiye Halk Bankası A.Ş." mean a joint-stock company operating pursuant to Law No. 4603 dated November 15, 2000, and which is responsible for implementation of its Respective Part the Project.

4. "Implementation Plan" means the time-bound plan for implementation of Part D of the Project referred to in Section 5.01(b) of and Section V of Schedule 2 to this Agreement.

5. "Leasing Company" means a private leasing company registered according to the applicable laws and regulations of the Recipient.

6. "Loan" means the loan to be provided to a Borrower pursuant to a Loan Agreement.

7. "Loan Agreement" means the loan agreement to be entered into between a Borrower and the World Bank providing a loan to the Borrower to support its Respective Part of the Project; and "Loan Agreements" means collectively, the loan agreements to be entered into between each of the Borrowers and the Bank for their Respective Part of the Project.

8. "MENR" means the Recipient's Ministry of Energy and Natural Resources, or any successor thereto.

9. "Mid-cap Company" means an enterprise that: (a) is not an SME; (b) has less than 150,000,000 Turkish Lira in sales; and (c) employs fewer than 1,500 employees.

10. "PMU" means the Project Management Unit referred to in paragraph 1 of Section I of Schedule 2 to this Agreement.

11. "Respective Part of the Project" means with respect to:
   (a) Halkbank, Part A of the Project;
   (b) Vakıfbank, Part B of the Project; and
   (c) Ziraatbank, Part C of the Project.

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12. "SME" means a small or medium enterprise that has less than 40,000,000 Turkish Lira in sales and employs fewer than 250 employees.

13. "Sub-loan" means a loan made by a Borrower, out of the proceeds of the Loan to a Sub-Project Sponsor in accordance with the provisions in paragraph 5 of Section I.A of Schedule 2 to the Loan Agreement.

14. "Sub-project" means a specific investment project under the Project to be carried out by a Sub-project Sponsor utilizing the proceeds of a Sub-loan.

15. "Sub-project Sponsor" means any of the following and to which the Borrower proposes to make or has made a Sub-loan: a SME, a Mid-cap Company, a Leasing Company and an ESCO.

16. "Training" means the reasonable expenditures incurred for international and national symposia, seminars and workshops, including related travel expenditures, accommodation and per diem allowances provided to the participants and trainers in such activities (including fees for trainers but excluding staff salaries).

17. "Vakıfbank" and "Türkiye Vakıflar Bankası T.A.O." mean a joint stock company established pursuant to the statutes published in the Trade Registry Gazette No. 8608 dated January 15, 1954 (Trade Registry No. 6219), and which is responsible for implementation of its Respective Part of the Project.

18. "Ziraatbank" and "Türkiye Cumhuriyeti Ziraat Bankası A.Ş" mean a joint stock company first founded in 1863 with its bank status confirmed in March 23, 1916 under a special law and its legal status revised to be a joint stock company pursuant to Law No. 4603 dated November 15, 2000, and which is responsible for implementation of its Respective Part of the Project.