Loan Agreement

(Formal Employment Creation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

DEVELOPMENT AND INVESTMENT BANK OF TURKEY
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and DEVELOPMENT AND INVESTMENT BANK OF TURKEY (also known as Türkiye Kalkınma ve Yatırım Bankası A.Ş.) ("TKYB" or "Borrower"), a development and investment bank of the Republic of Turkey, as further defined in the Appendix to this Agreement.

WHEREAS, the Bank supports TKYB in its commitment to the development objective of this Project, as set forth in Schedule I of this Agreement; and

WHEREAS, in furtherance of that development objective, the Bank, acting as administrator of the European Commission Development Fund, and TKYB intend to enter into a grant agreement ("Grant Agreement") for the purpose of providing a grant in an estimated amount of seventy-five million nine hundred sixty-one thousand five hundred thirty-eight Euros (EUR 75,961,538) from the European Commission Development Fund to assist TKYB in the financing of the Project on the terms and conditions set forth in the Grant Agreement.

NOW THEREFORE, 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 three hundred sixteen million Euros (EUR 316,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing the project described in Schedule I 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 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, the Borrower shall carry out the Project, and cause the Project to be carried out, 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:

(a) the Borrower has adopted an Operations Manual for Sub-loans acceptable to the Bank;

(b) the Borrower has properly staffed its Project Implementation Unit, with positions, terms of reference, and staff qualifications acceptable to the Bank;

(c) the Borrower has designated a senior management representative to have overall accountability for environmental and social performance of Sub-projects; and

(d) the Borrower has developed, adopted, and operationalized a grievance redress mechanism for the Project.

4.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is its General Manager.

5.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

   Saray Mahallesi
   Dr. Adnan Bıyıkdeniz Cd. No:10 34768 Ümraniye
   Istanbul
   Republic of Turkey; and
the Borrower’s Electronic Address is:

Facsimile: +90-216-6301815
E-mail: Dfi@kalkinma.com.tr

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: Auguste Tano Kouame
Title: Country Director
Date: May 21, 2020

DEVELOPMENT AND INVESTMENT BANK OF TURKEY

By

Authorized Representative

Name: İbrahim H. Öztepe
Title: CEO and Board Member
Date: June 1, 2020

By

Authorized Representative

Name: E. Özlem Cinemre
Title: EVP
Date: June 1, 2020
SCHEDULE 1

Project Description

The objective of the Project is to enhance the conditions for formal job creation by firms operating in provinces with high incidence of Syrians under Temporary Protection ("SuTP"), for the benefit of Turkish citizens and refugees.

The Project consists of the following parts:

Part 1. Loans targeting firms with high potential for job creation.

A. Provision of Sub-loans directly to eligible beneficiary Large Enterprise firms in the Selected Provinces to finance Sub-projects.

B. Provision of Subsidiary Financing to select Participating Financial Institutions ("PFIs") to provide Sub-loans to eligible beneficiary Small and Medium Enterprise ("SME") firms in the Selected Provinces to finance Sub-projects.

Part 2. Grants targeting firms conditional on job creation.

Provision of Subgrants to eligible beneficiary firms operating in the Selected Provinces, conditional on formal job creation for Turkish citizens and refugees under a Subgrant scheme, which is based on a firm's viable business and employment plans.

Part 3. Technical and institutional support.

A. *Skills building for Sub-loan beneficiary firms.*

Provision of capacity building activities for Sub-loan beneficiary firms under Part 1 of the Project, including in management practices, socioemotional skills (including, leadership, teamwork, client orientation), and financial literacy.

B. *Skills building for Subgrant beneficiary firms.*

Provision of, needs-based, capacity-building activities for Subgrant beneficiary firms under Part 2 of the Project, including training for said firms' employees on technical, analytical, and socioemotional skills.

C. *Capacity Building for the implementation of Sub-loans.*

Provision of assistance to support the implementation of Part 1 of the Project, including capacity building of Borrower and PFI staff, through the financing of goods, consulting services, non-consulting services, Training, and Operating Costs.
D.  *Capacity Building for the implementation of Subgrants.*

Provision of assistance to support the implementation of Part 2 of the Project (including communications, outreach and visibility activities), through the financing of goods, consulting services, non-consulting services, and Operating Costs for the Project Implementing Unit and the grant evaluation committee.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Except as the Bank may otherwise agree, the Borrower shall, throughout the implementation of the Project:
   
   (a) maintain a Project Implementation Unit ("PIU") for the purpose of, *inter alia*: (i) overseeing the management and broad implementation of the Project; (ii) selecting, and on-lending to, PFIs under Part 1.B of the Project; (iii) monitoring the PFIs' carrying out of Part 1.B of the Project to ensure their compliance with the criteria for Part 1.B of the Project, as set forth in this Agreement and the Operations Manual for Sub-loans; (iv) implementing the Borrower's direct on-lending to Large Enterprise firms under Part 1.A of the Project, as set forth in this Agreement and the Operations Manual for Sub-loans; (v) implementing the Borrower's on-granting activities under Part 2 of the Project, as set forth in the Grant Agreement, and the Operations Manual for Subgrants; (vi) ensuring adherence to all Bank fiduciary and safeguard requirements by Project beneficiaries, including causing the PFIs to adhere and to ensure said adherence by Project beneficiaries; and (vii) carrying out Project monitoring and evaluation; and
   
   (b) ensure the PIU functions at all times in a manner and with staffing and budgetary resources necessary and appropriate for the implementation of the Project, acceptable to the Bank; in respect to the management and implementation of the environmental and social aspects of the Project, said staffing shall include, *inter alia*: (i) an environmental expert, (ii) a social expert, and (iii) a focal point for the grievance redress mechanism and stakeholder engagement.

2. The Borrower shall, throughout the implementation of the Project, comply with the applicable prudential regulations of the Guarantor.

3. By no later than ninety (90) days after the Effective Date, the Recipient shall execute and deliver the Grant Agreement, and shall fulfill all conditions precedent to the effectiveness of, or to the right of TKYB to make withdrawals under, said Grant Agreement.

B. Operations Manual for Sub-loans

1. The Borrower shall maintain, throughout Project implementation, an Operations Manual for Sub-loans, in substance and manner acceptable to the Bank, which shall include, *inter alia*, provisions on:
   
   (a) detailed description of all Project activities supported under this Agreement, their sequencing, and the prospective timetable and benchmarks in relation thereto;
(b) the parties responsible for carrying out the respective parts of the Project;

(c) the detailed policies and procedures (i) relating to implementation of the Project, and (ii) for the selection and financing of Sub-projects;

(d) the environmental and social obligations and arrangements for the Project that shall include: (i) the Environmental and Social Management System ("ESMS"); (ii) the details on the environmental and social screening, monitoring and reporting procedures for Sub-projects in line with the Environmental and Social Standards ("ESS"); (iii) details on the functioning of the grievance redress mechanism(s); and (iv) the gender and citizen engagement for the Project, consistent with the provisions of Section I.D of this Schedule 2;

(e) the financial management arrangements, requirements and detailed procedures consistent with the provisions of Section 5.09 of the General Conditions;

(f) guidelines and procedures for procurement consistent with the provisions of the Procurement Regulations;

(g) the requirements of the Anti-Corruption Guidelines;

(h) the coordination arrangements between the relevant parties for the day-to-day execution of the Project; and

(i) 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 the Project, and cause the Project to be carried out, in accordance with the arrangements, procedures and guidelines set forth in the Operations Manual for Sub-loans, provided, however, that in case of any conflict between the arrangements and procedures set out in the Operations Manual for Sub-loans and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Operations Manual for Sub-loans, 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 Operations Manual for Sub-loans may only be amended in consultation with, and after approval of, the Bank.

C. Sub-Loans, Subsidiary Financing

1. For the purpose of carrying out of Part 1 of the Project, Large Enterprise and SME firms shall (a) be financially viable, and (b) have a consolidated record of job creation.

2. The Borrower shall take reasonable measures to encourage the participation of Large Enterprise and SME firms in Less Developed Sub-regions affected by SuTP influx and Women-Inclusive Enterprises.
3. For the purpose of carrying out Part 1.A of the Project, the Borrower shall ensure that (a) the selection criteria of Large Enterprise firms, (b) the eligibility criteria for selecting Sub-projects, (c) the terms and conditions for the Borrower’s provision of Sub-loans to Large Enterprise firms, and (d) the procedures for approving Sub-projects, set forth and/or referred to in Annex 2 of this Schedule 2, and the Operations Manual for Sub-loans, are followed.

4. All Sub-loans extended under Part 1.A of the Project and extended through PFIs under Part 1.B 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 Operations Manual for Sub-loans.

5. For the purposes of carrying out Part 1.B of the Project, the Borrower shall:

   (a) ensure that (i) the eligibility criteria and procedures for selecting PFIs, (ii) the terms and conditions for the Borrower’s provision of Subsidiary Financing to PFIs, (iii) the eligibility criteria and procedures for selecting beneficiary SMEs, (iv) the eligibility criteria and procedures for selecting and approving Sub-projects, and (v) the terms and conditions for the selected PFIs’ provision of Sub-loans to SMEs, as set forth in Annex 1 of this Schedule 2 and in the Operations Manual for Sub-loans, are followed; and

   (b) provide that the amount of Subsidiary Financing extended to any single PFI not exceed the equivalent of EUR 40,000,000, or such other amount agreed to by the Bank and set forth in the Operations Manual for Sub-loans.

6. After the collection from a PFI of at least EUR 20,000,000 in Repayments (defined in subparagraph (b) below), or such amount as agreed to in writing by the Bank, the Borrower shall (unless otherwise agreed to in writing by the Bank) utilize the principal Repayments from the first financing cycle to provide additional Subsidiary Financing to the same or other PFIs under Part 1.B of the Project, and additional Sub-loans to the same or other Large Enterprise firms under Part 1.A of the Project (each case, “Reflows”) – for the same purpose – for at least one additional financing cycle, and such Reflows:

   (a) shall be made within twelve (12) months of the principal Repayments reaching a total equivalent to EUR 20,000,000; and

   (b) for this purpose: (i) establish a separate account, in accordance with policies and procedures satisfactory to the Bank; (ii) deposit into said account each payment of interest or other charges and repayment of principal under all Subsidiary Financing Agreements under Part 1.B of the Project and Sub-loan Agreements under Part 1.A of the Project (each case, “Repayments”) promptly upon receipt thereof; (iii) record the same; and (iv) accumulate the amounts required to meet the Borrower’s payment obligations to the Bank under this Agreement.

D. Environmental and Social Standards.

1. The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Borrower shall ensure that:

(a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;

(b) sufficient funds are available to cover the costs of implementing the ESCP;

(c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and

(d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Bank shall otherwise agree in writing and the Borrower has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Borrower shall:

(a) take all measures necessary on its part 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 management tools and instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, \textit{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) promptly notify the Bank of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including, explosions, spills, and any workplace accidents that result in death, serious or multiple injury, pollution, or any violent labor unrest or dispute between the Borrower or security forces (assigned to protect the Project) and local communities, any case of gender-based violence and violence against minors, or any incidents in or related to international waterways or disputed areas in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.

4. The Borrower shall maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.
E. Annual Work Plan and Budget

1. The Borrower shall:

(a) prepare and furnish to the Bank not later than February 28th of each year during the implementation of the Project, a proposed Annual Work Plan and Budget containing: (i) all activities to be carried out under the Project during the following year; (ii) a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing; (iii) any proposed changes to the Procurement Plan; and (iv) any training activities that may be required under the Project including (A) the type of training, (B) the purpose of the training, and (C) the cost of the training;

(b) afford the Bank a reasonable opportunity to exchange views on each such proposed Annual Work Plan and Budget, and shall thereafter ensure that the Project is implemented with due diligence during said following year, in accordance with such Annual Work Plan and Budget accepted by the Bank; and

(c) make any significant changes, or allow any significant changes to be made, to the Annual Work Plan and Budget that has been accepted by the Bank only after receiving the Bank’s prior written confirmation.

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 six (6) month period, covering the said period.

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:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-loans under Part 1.A of the Project</td>
<td>125,824,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Subsidiary Financing under Part 1.B of the Project</td>
<td>188,736,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Subgrants under Part 2 of the Project</td>
<td>0</td>
<td>--</td>
</tr>
<tr>
<td>(4) Goods, consulting and non-consulting services, Training, and Operating Costs under Parts 3.A and 3.C of the Project</td>
<td>650,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Goods, consulting services, non-consulting services, Training, and Operating Costs under Parts 3.B and 3.D of the Project</td>
<td>0</td>
<td>--</td>
</tr>
<tr>
<td>(6) Front-end Fee</td>
<td>790,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(7) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 4.05 (c) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>316,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.

2. The Closing Date is December 31, 2024.
ANNEX 1
to
SCHEDULE 2

For the purposes of Section I.C.5 (a) of this Schedule 2, in relation to the carrying out of Part 1.B of the Project, (a) the eligibility criteria and procedures for selecting PFIs, (b) the terms and conditions for the Borrower’s provision of Subsidiary Financing to PFIs, (c) the eligibility criteria and procedures for selecting beneficiary SMEs, (d) the eligibility criteria and procedures for selecting and approving Sub-projects, and (e) the terms and conditions for the selected PFIs’ provision of Sub-loans to SMEs, shall include those set forth below, and as further elaborated in the Operations Manual for Sub-loans.

I. Borrower’s Provision of Subsidiary Financing to PFIs

A. Participating Financial Institution (“PFI”) Eligibility Criteria. For the purposes of carrying out Part 1.B of the Project, and except as the Bank shall otherwise agree, the Borrower shall select Participating Banks and Leasing Companies as PFIs in accordance with the criteria and procedures set forth in the Operations Manual for Sub-loans, including the following:

1. Participating Banks. A Participating Bank may be selected as a PFI only if it is duly established and operating in the territory of the Guarantor and in respect of which the Borrower shall have determined, and the Bank shall have agreed with the determination, that the Participating Bank:

   (a) has total assets exceeding the equivalent of USD 1,000,000,000 on average during the last two fiscal years of the Participating Bank preceding the signing of its Subsidiary Financing Agreement;

   (b) is in compliance with applicable banking regulations and prudential regulations of the Guarantor as: (i) confirmed in the semiannual financial reports of the Participating Bank; and (ii) duly certified by the Participating Bank’s auditors at the end of each fiscal year of the Participating Bank provided that in the first year of the Subsidiary Financing, if the auditor’s certification is not available, a management letter confirming the Participating Bank’s compliance with applicable banking regulations and prudential regulations of the Guarantor will be accepted in lieu of the auditor’s certification;

   (c) is operating pursuant to investment and financing policies and procedures acceptable to the Bank, the Borrower, and the Guarantor, and has undertaken to maintain said policies and procedures;

   (d) has adequate organization, management, staff and other resources necessary for its efficient operation; and
(e) applies appropriate procedures for appraisal, supervision, and monitoring of Sub-projects, including for the efficient evaluation and supervision of the procurement, environmental and social elements of Sub-projects.

2. **Leasing Companies.** A Leasing Company may be selected as a PFI only if it is duly established and operating in the territory of the Guarantor, and in respect of which the Borrower shall have determined, and the Bank shall have agreed with the determination, that the Leasing Company:

   (a) has total lease receivables exceeding a minimum of USD 50,000,000 equivalent on average during the last two fiscal years preceding the Leasing Company’s signing of the Subsidiary Financing Agreement;

   (b) has new lease volume exceeding a minimum of USD 50,000,000 equivalent on average during the last two fiscal years preceding the Leasing Company’s signing of the Subsidiary Financing Agreement;

   (c) has been profitable for at least two (2) out of the last three (3) years of its operations;

   (d) is in compliance with applicable laws and regulations of the Guarantor that are applicable to the leasing industry as: (i) confirmed in the semiannual financial reports of the Leasing Company; and (ii) duly certified by the Leasing Company’s auditors at the end of each fiscal year of the Leasing Company provided that in the first year of the Subsidiary Financing, if the auditor’s certification is not available, a management letter confirming the Leasing Company’s compliance with applicable banking regulations and prudential regulations of the Guarantor will be accepted in lieu of the auditor’s certification;

   (e) is operating pursuant to investment and financing policies and procedures acceptable to the Bank, the Borrower, and the Guarantor, and has undertaken to maintain said policies and procedures;

   (f) has adequate organization, management, staff and other resources necessary for its efficient operation; and

   (g) applies appropriate procedures for appraisal, supervision, and monitoring of Sub-projects, including for the efficient evaluation and supervision of the procurement, environmental and social elements of Sub-projects.

B. **Terms and Conditions of the Subsidiary Financing to PFIs.**

1. **Terms of the Subsidiary Financing to PFIs.** For the purpose of carrying out Part 1.B of the Project, the Borrower shall facilitate the carrying out of each PFI’s respective part of the Project, by making part of the proceeds of the Loan allocated from time to time to Category (2) set forth in Section III.A of this Schedule to each selected PFI (provided that the PFI continues to satisfy the eligibility criteria set forth in Section I.A.1 of this Annex), in accordance with on-lending terms set forth
in the individual subsidiary financing agreements between the Borrower and the respective PFIs, under terms and conditions approved by the Bank (collectively “Subsidiary Financing Agreements”), which shall include the terms and conditions set forth below.

(a) Each Subsidiary Financing shall be subject to interest, markup, charges and/or fees applied to the principal amount thereof withdrawn and outstanding from time to time and which interest, markup, charges and/or fees, in the aggregate, shall not be less than the rate payable under Section 2.05 of this Agreement plus: (i) any premium, charges and fees payable under this Agreement; (ii) the administrative costs of the Borrower; (iii) a reasonable risk margin; and (iv) fees for the Guarantor’s guarantee (“Subsidiary Finance Rate”).

(b) The Subsidiary Financing to:

(i) a Participating Bank shall have a minimum maturity period of six (6) years; and

(ii) a Leasing Company shall have a minimum maturity of six (6) years.

2. Conditions of the Subsidiary Financing to PFIs. Each Subsidiary Financing Agreement shall contain provisions pursuant to which the PFI concerned undertakes to:

(a) carry out the activities under Part 1.B of the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, including (i) in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, (ii) with qualified management and staff in adequate numbers, (iii) in conformity with the investment and lending policies and procedures referred to in the Operations Manual for Sub-loans, and (iv) to provide, promptly as needed, the funds, facilities, services and other resources required for this purpose;

(b) (i) provide, except as the Bank shall otherwise agree, Sub-loans to eligible SMEs on the terms and conditions set forth in the Operations Manual for Sub-loans, including, without limitation, the terms and conditions set forth in this Annex to Schedule 2;

(ii) ensure that, except as the Bank shall otherwise agree: (A) the amount of each Sub-loan provided to any single SME shall not exceed the equivalent of EUR 3,000,000 (or such other amount agreed to by the Bank and set forth in the Operations Manual for Sub-loans); and (B) the aggregate amount of outstanding Sub-loans provided to any single SME from all PFIs shall not exceed the equivalent of EUR 6,000,000 (or such other amount agreed to by the Bank and set forth in the Operations Manual for Sub-loans);
(iii) exercise its rights and carry out its obligations in relation to each such Sub-loan in such a manner as to protect its interests and the interests of the Borrower, the Guarantor and the Bank, comply with its obligations under its respective Subsidiary Financing Agreement, and achieve the purposes of the Project;

(iv) not assign, amend, abrogate or waive any of its agreements providing for Sub-loan, or any provision thereof, without the prior approval of the Borrower;

(v) select and appraise Sub-projects and supervise, monitor and report on the carrying out of Sub-projects by SMEs, all in accordance with the Operations Manual for Sub-loans, and ensure that no Excluded Activities are included in any Sub-project;

(vi) ensure that each Sub-project complies with environmental and social requirements of this Agreement and the Environmental and Social Management System. To that end, PFIs shall require each SME applying for a Sub-loan to furnish evidence satisfactory to the Bank, showing that the Sub-project, in respect of which the application has been prepared, is in accordance with such procedures;

(vii) ensure that for Sub-projects that require an Environmental and Social Management Plan, the SME concerned shall carry out such plan in a timely manner, requiring such plan to be in compliance with the Operations Manual for Sub-loans and all environmental and social instruments required under the ESCP, in line with the Environmental and Social Standards, and approved by the Bank, and shall include adequate information on the carrying out of such plans in the progress reports referred to in sub-paragraph (c)(ii) of this paragraph; and

(viii) ensure that goods, works, non-consulting services and consulting services to be financed out of the proceeds of the Loan shall be used exclusively in the carrying out of the Sub-project;

(e) (i) exchange views with and furnish all such information to the Bank or the Borrower, as may be reasonably requested by the Bank and the Borrower, with regards to the progress of its activities under the Project, the performance of its obligations under its respective Subsidiary Financing Agreement, and other matters relating to the purposes of the Project;

(ii) prepare and submit to the Borrower, quarterly reports on Sub-loan disbursements and repayments; and (iii) promptly inform the Bank and the Borrower of any condition that interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Financing Agreement; and
(d) assume the risk of each Sub-loan.

3. Each Subsidiary Financing Agreement shall also provide that the right of the PFI to use the proceeds of its respective Subsidiary Financing shall be:

(a) suspended upon failure of such PFI to perform any of its obligations under its respective Subsidiary Financing Agreement, or to continue to satisfy the eligibility criteria set forth in Section I.A of this Schedule, as the case may be; and

(b) terminated if such right shall have been suspended pursuant to sub-paragraph (a) hereof for a continuous period of sixty (60) days.

4. The Borrower shall take or cause to be taken all action necessary or appropriate on its part to:

(a) enable the selected PFIs to perform in accordance with the provisions of their respective Subsidiary Financing Agreements all the obligations of the PFIs therein set forth, and not take or permit to be taken any action that would prevent or interfere with such performance;

(b) monitor the overall execution of the Project and the carrying out by the PFIs of their obligations under their respective Subsidiary Financing Agreements in accordance with policies and procedures satisfactory to the Bank; and

(c) exercise its rights and carry out its obligations under the Subsidiary Financing 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, waive, or fail to enforce the Subsidiary Financing Agreement or any of its provisions.
II. PFIs’ Provision of Sub-loans to SMEs

A. SME Eligibility Criteria. Each enterprise seeking financing shall establish, and maintain during the duration of its receipt of the relevant Sub-loan, the following to the satisfaction of the Borrower and PFI, that it is:

1. an SME;
2. 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; and
3. it has a certificate from the relevant local or national authorities of the Guarantor about compliance with applicable environmental laws and regulations of the Guarantor.

B. Sub-project Eligibility Criteria. Unless otherwise agreed between the Bank and the Borrower, each Sub-loan shall be provided for a Sub-project which is determined, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank:

1. to be technically feasible and economically, financially and commercially viable;
2. to be in compliance with the ESMS and all other environmental and social instruments and procedures required under the ESCP, in line with the Environmental and Social Standards, and approved by the Bank. To that end, the PFI shall require each SME applying for a Sub-loan to furnish evidence satisfactory to the PFI, the Borrower, and the Bank, showing that the Sub-project for which the application was made, was prepared in accordance with such instruments and procedures, such evidence to include, inter alia, an environmental and social management plan prepared in accordance with said requirements for a Sub-project submitted for approval; and
3. to not support and to not include any Excluded Activities.

C. Terms and Conditions for the Sub-loans to SMEs.

1. Terms. Except as the Bank shall otherwise agree, each Sub-loan shall be provided on terms, including those relating to the maturity, interest rate, markup, charges and/or fees determined in accordance with the PFI’s investment and lending policies and practices, provided that:

(a) the interest rate, markup, charges and/or fees, in the aggregate, to be applied to the principal amount thereof withdrawn and outstanding from time to time, shall not be less than the Subsidiary Finance Rate applicable from time to time pursuant to Section I.B.1(a) of this Annex to Schedule 2 plus the PFI’s administrative costs and an appropriate risk margin; and
(b) each Sub-loan by PFIs shall have a maturity period of at least two (2) years for all working capital and at least five (5) years for all investment Sub-loans.

2. Conditions of the Sub-loan to SMEs. Each Sub-loan shall be provided on further conditions whereby the PFI shall obtain, by written contract with the SME or by other appropriate legal means, rights adequate to protect its interests and the interests of the Guarantor, the Bank, and the Borrower, including, inter alia, the right to:

(a) require the SME to carry out and operate the facilities financed under the Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards, and in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of finance proceeds other than the Borrower, and to maintain adequate records;

(b) without limitation to the generality of the provisions of the preceding paragraph (a), require the SME to carry out and operate the Sub-project with due regard to applicable social impact, ecological, environmental and pollution control standards and in accordance with the provisions of the Operations Manual for Sub-loans;

(c) require that goods, works, non-consulting services and consulting services to be financed out of the proceeds of the Sub-loan shall be used exclusively in the carrying out of the Sub-project;

(d) inspect, by itself or jointly with representatives of the Bank, the Borrower or the Guarantor, if the Bank or the Guarantor shall so request, such goods and the sites, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(e) require that the SME 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 Sub-loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the SME to replace or repair such goods;

(f) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the SME and to the benefits to be derived from the Sub-project;

(g) require that, for all Sub-loans above USD 1,000,000 equivalent, or such other threshold amount agreed to by the Bank, as specified in the Operations Manual for Sub-loans, the respective SMEs shall:
(i) submit to the Borrower a cash flow statement in accordance with the Operations Manual for Sub-loans;

(ii) have a ratio of financial obligation to equity (after receipt of the Sub-loan) as specified in the Operations Manual for Sub-loans, except as the Bank and the Borrower may otherwise agree; and

(iii) provide a reasonable forecast of its revenues and expenditures showing that its net revenues for each fiscal year (during the term of the financial obligation to be incurred) shall be no less than the requirement specified in the Operations Manual for Sub-loans, except as the Bank and the Borrower may otherwise agree; and

(h) suspend and terminate the right of the SME to the use of the proceeds of the Sub-loan upon failure by such SME to perform any of its obligations under its contract with the PFI.

D. Approval Procedures for Sub-loan.

1. Each Sub-loan shall be approved by the PFI on the basis of:

(a) a description of the SME 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) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan;

(c) evidence of compliance with the Operations Manual for Sub-loans; and

(d) such other information as the Bank or the Borrower shall reasonably request.

2. Unless otherwise agreed to by the Bank, the Borrower shall ensure that: (a) the first Sub-loan by each PFI, irrespective of size, shall be subject to the prior review and approval of the Bank; (b) any Sub-loan to be provided to an SME in an amount exceeding the equivalent of USD 2,500,000 shall be subject to the prior review and approval of the Bank; and (c) any Sub-loan not subject to prior review by the Bank may be subject to ex-post review by the Bank.
ANNEX 2
to
SCHEDULE 2

For the purposes of Section I.C.3 of this Schedule 2, in relation to the carrying out of Part 1.A of the Project, the selection criteria of the beneficiary Large Enterprise firms, the eligibility criteria for selecting Sub-projects, the terms and conditions for the Borrower’s provision of Sub-loans to said Large Enterprise firms, and the procedures for approving Sub-projects, shall include those set forth below.

I. Sub-loans to eligible beneficiaries under Part 1.A of the Project.

A. Large Enterprise Eligibility Criteria. Each enterprise seeking financing under Part 1.A of the Project shall establish, and maintain during the duration of its receipt of the relevant Sub-loan, the following to the satisfaction of the Borrower, that it is:

1. a Large Enterprise;
2. 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; and
3. it has a certificate from the relevant local or national authorities of the Guarantor about compliance with applicable environmental laws and regulations of the Guarantor.

B. Sub-project Eligibility Criteria. Unless otherwise agreed between the Bank and the Borrower, each Sub-loan shall be provided for a Sub-project which is determined, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank:

1. to be technically feasible and economically, financially and commercially viable;
2. to be in compliance with the ESMS and all other environmental and social instruments and procedures required under the ESCP, in line with the Environmental and Social Standards, and approved by the Bank. To that end, the Borrower shall require each Large Enterprise firm applying for a Sub-loan to furnish evidence satisfactory to the Borrower and the Bank, showing that the Sub-project for which the application was made, was prepared in accordance with such instruments and procedures, such evidence to include, inter alia, an environmental and social management plan prepared in accordance with said requirements for a Sub-project submitted for approval; and
3. to not support and to not include any Excluded Activities.

C. Terms and Conditions for the Sub-loans to Large Enterprises. For the purposes of carrying out Part 1.A of the Project, the Borrower shall make proceeds of the Loan allocated from time to time to Category 1 set forth in table in Section III.A of this Schedule
2 to each selected Large Enterprise, under an agreement with terms and conditions acceptable to the Bank ("Sub-loan Agreement"), including those set forth below.

1. **Terms.** Except as the Bank shall otherwise agree, each Sub-loan shall be provided on terms, including those relating to the maturity, interest rate, markup, charges and/or fees, determined in accordance with the Borrower's investment and lending policies and practices, provided that:

   (a) the interest rate, markup, charges and/or fees, in the aggregate, to be applied to the principal amount thereof withdrawn and outstanding from time to time, shall not be less than the rate payable under Section 2.05 of this Agreement plus (i) any premium, charges and fees payable under this Agreement, (ii) the administrative costs of the Borrower, (iii) a reasonable credit risk margin associated with the Large Enterprise firm, and (iv) fees for the Guarantor's guarantee; and

   (b) each Sub-loan by the Borrower to Large Enterprise firms to finance a Sub-project shall have a minimum maturity period of: (i) five (5) years for an investment Sub-project, and (ii) two (2) years for a working capital Sub-project.

2. **Conditions.**

   (a) The Borrower shall ensure that, unless other agreed to by the Bank: (i) the Sub-loan for any individual Sub-project shall not exceed EUR 5,000,000 equivalent, and (ii) the aggregate amount of outstanding Sub-loans to any one Large Enterprise firm shall not exceed EUR 15,000,000 equivalent, unless otherwise agreed to by the Bank.

   (b) The Borrower shall provide each Sub-loan on further conditions whereby the Borrower shall obtain, by written contract with the Large Enterprise firm, or by other appropriate legal means, rights adequate to protect its interests and the interests of the Guarantor and the Bank, including the right to:

      (i) require the Large Enterprise firm to carry out and operate the facilities financed under the Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards, and in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of finance proceeds other than the Borrower, and to maintain adequate records;

      (ii) without limitation to the generality of the provisions of the preceding paragraph (i), require the Large Enterprise firm to carry out and operate the Sub-project with due regard to applicable social impact, ecological, environmental and pollution control standards and in accordance with the provisions of the Operations Manual for Sub-loans;
(iii) require that goods, works, non-consulting services and consulting services to be financed out of the proceeds of the Sub-loan shall be used exclusively in the carrying out of the Sub-project;

(iv) inspect, by itself or jointly with representatives of the Bank, or the Guarantor, if the Bank or the Guarantor, respectively, shall so request, such goods and the sites, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents; and

(v) require that the Large Enterprise to 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 Sub-loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Large Enterprise to replace or repair such goods;

(c) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Large Enterprise and to the benefits to be derived from the Sub-project;

(d) require any Large Enterprise firms receiving sub-loans above EUR 1,000,000 equivalent to:

(i) submit to the Borrower a cash flow statement in accordance with the Operations Manual for Sub-loans;

(ii) have a ratio of financial obligation to equity (after receipt of the Sub-loan) as specified in the Operations Manual for Sub-loans, except as the Bank and the Borrower may otherwise agree; and

(iii) provide a reasonable forecast of its revenues and expenditures showing that its net revenues for each fiscal year (during the term of the financial obligation to be incurred) shall be no less than the requirement specified in the Operations Manual for Sub-loans, except as the Bank and the Borrower may otherwise agree; and

(e) suspend and terminate the right of the Large Enterprise firm to the use of the proceeds of the Sub-loan upon failure by such Large Enterprise firm to perform any of its obligations under its contract with the Borrower.

2. The Borrower shall:
(a) supervise, monitor and report on the carrying out of Sub-projects by Large Enterprise firms, in accordance with the provisions of this Agreement and those of the Operations Manual for Sub-loans;

(b) exercise its rights and carry out its obligations under each Sub-loan Agreement in a manner acceptable to the Bank, and to protect its interests, and the interests of the Guarantor and the Bank; and

(c) not assign, amend, abrogate or waive any of its Sub-loan Agreements, or any provision thereof, without the prior approval of the Bank.

D. Approval Procedures for Sub-loan.

1. Each Sub-loan shall be approved by the Borrower on the basis of:

(a) a description of the Large Enterprise firm 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) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan;

(c) evidence of compliance with the Operations Manual for Sub-loans; and

(d) such other information as the Bank or the Borrower shall reasonably request.

2. Unless otherwise agreed to by the Bank, the Borrower shall ensure that: (a) the first Sub-loan, irrespective of size, shall be subject to the prior review and approval of the Bank; (b) any Sub-loan to be provided to a Large Enterprise in an amount exceeding the equivalent of USD 3,000,000 shall be subject to the prior review and approval of the Bank; and (c) all Sub-loans not subject to prior review by the Bank may be subject to ex-post review by the Bank.
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").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15</td>
<td></td>
</tr>
<tr>
<td>Beginning September 15, 2030</td>
<td></td>
</tr>
<tr>
<td>through September 15, 2044</td>
<td>3.33%</td>
</tr>
<tr>
<td>On March 15, 2045</td>
<td>3.43%</td>
</tr>
</tbody>
</table>
APPENDIX

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. “Annual Budget and Work Plan” means the said budget and plan referred to in Section I.E of Schedule 2 to this Agreement.

3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

4. “C-level Manager” means a top executive or highest-level corporate position in a company, including general manager, executive vice president, deputy general manager, chief executive officer, chief operations officer, chief finance officer, chief marketing officer, chief technology officer, and chief information officer.


6. “Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, the Grant to be provided by the Co-financier to assist in financing the Project.

7. “Co-financing Agreement” means the Grant Agreement.

8. “Development and Investment Bank of Turkey” or “TKYB” means the development and investment bank of the Republic of Turkey, also known as Türkiye Kalkınma ve Yatırım Bankası A.Ş., established pursuant to Law No. 7147, published in the Guarantor’s Official Gazette No. 30575, dated October 24, 2018 (Trade Registry No. 1988985), or any legal successor or successors thereto, acceptable to the Bank.

9. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the environmental and social commitment plan, acceptable to the Bank, dated March 3, 2020, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.

10. “Environmental and Social Management System” or “ESMS” means the environmental and social management system adopted by the Borrower to identify, assess, manage and monitor the environmental and social risks and impacts of Subprojects, that has been assessed by the Bank to be satisfactory in accordance with the Environmental and Social Standards.

12. “Excluded Activities” means, collectively:

(a) any of the activities listed, or activities that produce and/or use materials listed, in the Operations Manual for Sub-loans that are classified and referred to as part of the negative list in said manual;

(b) any investment that is classified as a Category “A” Subproject in accordance with the provisions of the Operations Manual for Sub-loans;

(c) any investment involving land acquisition (including other land expenditures such as the purchase of real property);

(d) any investment involving involuntary displacement (permanent or temporary physical and economic displacement) directly resulting from land acquisition or restrictions on land use undertaken or imposed in connection with Project implementation;

(e) any investment involving significant impacts on Cultural Heritage (as defined under Environmental and Social Standard 8);

(f) any investment involving beneficiary firms that are not eligible to receive Bank-financed contracts;

(g) any investment in hydroelectric, irrigation, flood control, navigation, drainage, water and sewerage, industrial and similar projects (or the detailed design and engineering studies for such types of projects) that involve the use or potential pollution of international waterways, as defined in World Bank Operational Policy 7.50, Projects on International Waterways; and

(h) any investment that involves the construction of a new dam or will rely on the performance of an existing dam or a dam under construction.

14. "Grant" means the estimated amount referred to in the preamble of this Agreement, or such final grant amount reflected in the Grant Agreement formally executed by the Bank and TKYB.

15. "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. "Grant Agreement" includes all appendices, schedules and agreements supplemental to the Grant Agreement.

16. "Guarantor" means the Republic of Turkey.

17. "Large Enterprise" means an enterprise that employs equal to or more than 250 employees and that satisfies the criteria as set forth in Section I.C of Schedule 2 to this Agreement, Section I of Annex 2 to Schedule 2 to this Agreement, and the Operations Manual for Sub-loans.

18. "Leasing Company" means an institution registered and operating as a leasing company under the Guarantor’s Financial Leasing, Factoring and Financing Company Law (Law No. 6361 published in the Official Gazette dated December 13, 2012, No. 28496, as amended) and other applicable laws and regulations of the Guarantor pertaining to leasing.

19. "Less Developed Sub-regions" means the provinces or sub-provinces approved by the Bank and set forth in the Operations Manual for Sub-loans.

20. "Mid-level Managerial position" means a management position except for chief executives, senior officials, and legislators.

21. "Operating Costs" means reasonable incremental expenses directly incurred on account of the implementation, management, and monitoring of the Project by the Borrower; such costs may include, as relevant, and as the Bank may agree, for the following: (a) office supplies; (b) office rental; (c) vehicle rental, operations and maintenance; (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; (j) procurement advertisement; (k) utilities; (l) salaries of locally contracted support staff; and (m) other miscellaneous expenses directly associated with the Project and agreed between the Bank and the Borrower.

22. "Operations Manual for Sub-grants" means the manual of TKYB referred to in Section I.B of Schedule 2 to the Grant Agreement, adopted by TKYB and satisfactory to the Bank, that sets forth the operational and administrative procedures in respect of the preparation, approval, processing, financing, implementation, and supervision of Sub-projects financed by Sub-grants.

23. "Operations Manual for Sub-loans" means the manual of the Borrower referred to in Section I.B of Schedule 2 to this Agreement, adopted by the Borrower and satisfactory to
the Bank, that sets forth the operational and administrative procedures in respect of the
preparation, approval, processing, financing, implementation, and supervision of Sub-
projects financed by Sub-loans.

24. "Participating Bank" means an institution registered and operating as a bank under the
Guarantor’s Banking Law (Law No. 5411 published in the Official Gazette dated
November 1, 2005, No. 25983, as amended) and other applicable laws and regulations of
the Guarantor pertaining to banking.

25. "Participating Financial Institution” or “PFI” means any or each Participating Bank and
Leasing Company selected by the Borrower pursuant to the criteria set forth in Section I.A
of Annex 1 to Schedule 2 to this Agreement, and the Operations Manual for Sub-loans;
collectively, “Participating Financial Institutions” or “PFIs”.

26. "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 and August 2018.

27. “Project Implementing Unit” or “PIU” means the unit referred to in Section I.A.1 of
Schedule 2 of this Agreement, or any legal successor or successors thereto, acceptable to
the Bank.

28. “Selected Provinces” means the provinces of the Guarantor’s territory that has been
determined by the Borrower, and as agreed to by the Bank, to be affected by a large influx
of refugees.

29. “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.

30. “Small or Medium Enterprise” or “SME” means an enterprise that employs fewer than 250
employees, and that satisfies the appropriate criteria as set forth in Section I.C.1 of
Schedule 2 to this Agreement, Section II.A of Annex 1 to Schedule 2 to this Agreement,
and the Operations Manual for Sub-loans.

31. “Subgrant” means a grant made, or proposed to be made by the Borrower, out of the
proceeds of the Grant for purposes of financing all or a portion of the expenditures incurred
by an eligible beneficiary firm for goods, works, consulting services, and non-consulting
services under a Sub-project under Part 2 of the Project.

32. “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 eligible beneficiary firms, for goods, works, consulting services and non-consulting
services, for a Sub-project under Part I.A of the Project.

33. “Sub-loan Agreement” means an agreement entered or to be entered into between the
Borrower and a Large Enterprise firm pursuant and referred to in Section I.C of Annex 2
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.

34. “Sub-project” means a specific project, selected based on criteria satisfactory to the Bank, to be carried out by a beneficiary firm, in whole or in part through the utilization of the proceeds of any Subsidiary Financing, Sub-loan or Subgrant.

35. “Subsidiary Financing” means any financing provided by the Borrower to a PFI pursuant to a Subsidiary Financing Agreement under Part 1.B of the Project.

36. “Subsidiary Financing Agreement” means an agreement entered or to be entered into between the Borrower and a PFI pursuant to Section 1.B.1 of Annex 1 to Schedule 2 to this Agreement.

37. “Syrians under Temporary Protection” or “SuTP” means the term as defined in Turkish Law No. 6458 on Foreigners and International Protection (2013) and Regulation No. 29153 on Temporary Protection of Syrians (2014), which provide Syrians under temporary protection access to registration and documentation and to services; all Syrians who entered the country after April 27, 2011, were retroactively placed under temporary protection.

38. “Training” means reasonable expenditures (excluding costs of consultants’ services) incurred for Project-related capacity building activities, including study tours, training courses, seminars, workshops and other training activities, all based on an Annual Work Plan and Budget agreed with the Bank and covered under the Procurement Plan.

39. “Women-Inclusive Enterprises” means an enterprise that: (i) has at least one female shareholder with properly documented representative and managing powers; or (ii) has at least one female C-level Manager or with at least 25-percent female representation in Mid-level Managerial position; or (iii) employs a ratio of women that is higher than the average ratio observed in the respective sector.