

DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 25 January 2023¹

TÜRKİYE

ANKARA METRO PROJECT

(UNDER: GREEN CITIES FRAMEWORK 2 WINDOW II
EXTENSION 2 FRAMEWORK)

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

TABLE OF CONTENTS

	Page
TABLE OF CONTENTS	2
ABBREVIATIONS / CURRENCY CONVERSIONS	3
PRESIDENT’S RECOMMENDATION.....	4
BOARD DECISION SHEET	5
ADDITIONAL SUMMARY TERMS FACTSHEET	6
1. STRATEGIC FIT AND KEY ISSUES.....	7
1.1 STRATEGIC CONTEXT	7
1.2 TRANSITION IMPACT	8
[REDACTED]1.3 ADDITIONALITY	8
1.4 SOUND BANKING - KEY RISKS.....	9
2. MEASURING / MONITORING SUCCESS.....	11
3. KEY PARTIES.....	14
3.1 BORROWER	14
3.2 EGO.....	14
4. MARKET CONTEXT.....	15
5. FINANCIAL / ECONOMIC ANALYSIS	16
5.1 FINANCIAL PROJECTIONS	16
5.2 ECONOMIC ANALYSIS	16
5.3 SENSITIVITY ANALYSIS	16
5.4 PROJECTED PROFITABILITY FOR THE BANK.....	16
6. OTHER KEY CONSIDERATIONS.....	17
6.1 ENVIRONMENT	17
6.2 INTEGRITY	19
ANNEX 1 – PROJECT INFORMATION	20
ANNEX 2 – ECONOMIC ASSESSMENT OF THE PROJECT	21
ANNEX 3 – GREEN ASSESSMENTS.....	22
ANNEX 4 - IMPLEMENTATION PROGRESS of GrCF / GrCF2	23
ANNEX 5 - PROJECT IMPLEMENTATION.....	24

ABBREVIATIONS / CURRENCY CONVERSIONS

AFD	Agence Française de Développement
AMM	Ankara Metropolitan Municipality
ASKI	Ankara Water and Sewage Company
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CDP	Corporate Development Programme
CHP	Republican People's Party
CNG	Compressed Natural Gas
CPI	Consumer Price Index
DSCR	Debt Service Cover Ratio
EGO	Ankara Electricity, Gas and Bus Operations Organization
EIRR	Economic Internal Rate of Return
EPG	Economics, Policy and Governance
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
EUR	Euro
FX	Foreign Exchange
GBVH	Gender Based Violence and Harassment
GCAP	Green City Action Plan
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Green House Gas
HSES	Health, Safety, Environment, and Social
ILBANK	State Development Agency for Municipal Sector
IRR	Internal Rate of Return
KPI	Key Performance Indicator
LVC	Land Value Capture
MOU	Memorandum of Understanding
NTS	Non-Technical Summary
OCCO	Office of the Chief Compliance Officer
PP&Rs	Procurement Policy & Rules
RAROC	Risk Adjusted Return Over Capital
SEP	Stakeholder Engagement Plan
SSF	EBRD Shareholder Special Fund
TI	Transition Impact
TC	Technical Cooperation
TCDD	Turkish State Railways
TRY	Turkish Lira
USD	United States Dollar

PRESIDENT’S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Ankara Metropolitan Municipality (the “**AMM**” or the “**City**”), a public legal entity established and governed under the municipal laws of Türkiye, are submitted for consideration by the Board of Directors.

The facility will consist of a loan to the City in the amount of up to EUR 125 million [REDACTED].

The operation will support the construction of the Dikimevi – Natoyolu Metro line extension, connecting the Mamak district to the city centre and promoting sustainable urban mobility in one of Türkiye’s most congested cities. The Project delivers a significant increase in the overall connectivity and accessibility, specifically in the Mamak district. The project will be co-financed together with the Agence Française de Developpement (“**AFD**”).

The expected transition impact of the Project is derived from (i) the Green transition quality as this Project is a ‘follow-on investment’ addressing the priority environmental challenges of climate mitigation and air pollution identified in the City’s Green City Action Plan (“**GCAP**”). The Project will lead to a significant reduction in GHG emissions and air pollutants by encouraging modal shift from private car usage to public transport and a shift from surface transport to low emission metro transport, as such it is also a 100 per cent Green Economy Transition (“**GET**”) project; and (ii) the Resilient transition quality, as the Project will support adoption and implementation of a Land Value Capture (“**LVC**”) model. The Project will also positively impact women’s mobility in the City and is thus tagged as Gender SMART. [REDACTED].

I am satisfied that the operation is consistent with the Bank’s Strategy for Türkiye, the Municipal and Environmental Infrastructure (MEI) Sector Strategy, the Green Economy Transition Approach, the Strategy for the Promotion of Gender Equality and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

TURKIYE - Ankara Metro Project - DTM 52767 Framework: REGIONAL - Green Cities Framework 2 - Window 2 - DTM 50674	
Transaction / Board Decision	Board approval ² is sought for a senior unsecured loan of up to EUR 125 million in favour of Ankara Metropolitan Municipality (“ AMM ” or the “ City ”), to finance the construction of 7.46 km Dikimevi – Natoyolu Metro Line, including 8 stations (the “ Project ”). The Project is an extension of the existing A1 line that operates between ASTI – Dikimevi stations. This operation is proposed as a follow-on investment under the Green Cities Framework 2 – Window II Extension 2 (“ GrCF2 W2 E2 ”).
Client	The Borrower is Ankara Metropolitan Municipality, a public legal entity established and governed under Turkish municipal law. The AMM is the second largest municipality in Türkiye with a population of 5.7 million [REDACTED]. The operator of the Project will be Ankara Transportation Company (the “ EGO ” or the “ Company ” – fully owned by the AMM).
Main Elements of the Proposal	<p><u>Transition impact:</u></p> <ul style="list-style-type: none"> Primary Quality – Green. The Project will be the first follow-on investment under GrCF2 W2 E2 for the City, addressing the priority environmental challenges of climate mitigation and air pollution identified in the Ankara’s Green City Action Plan (“GCAP”). The Project will abate CO₂ emissions [REDACTED], NO_x emissions [REDACTED], hydrocarbon (HC) emissions [REDACTED] and Particulate Matter (PM) emissions [REDACTED] annually. The Project will achieve this by incentivising a modal shift away from private vehicle usage and surface transport to low emission metro transport. Secondary Quality – Resilient. The Project contributes to the Resilient quality through the adoption of the Land Value Capture (“LVC”) model, which will be developed via the TC under the trigger project with the City, GrCF2 W2 - Ankara Bus Project (DTM 51474). [REDACTED]. <p><u>Additionality:</u> The Bank’s financing is additional due to the financing structure, standard setting and knowledge, innovation and capacity building. The Bank’s financing provides long term finance to a Turkish municipality, which would otherwise only be available with a sovereign guarantee and/or via a state-owned financial intermediary. In addition, the Bank will assist the City in addressing environmental challenges through the implementation of the GCAP. The Project will also have strong positive impacts on women, thus qualifying for Gender SMART tagging.</p> <p><u>Sound banking:</u> The City has credit ratings of bbb Standalone Credit Profile from Fitch. A review of financial projections and stress tests confirm that the City is creditworthy and has sufficient repayment capacity [REDACTED].</p>
Key Risks	<p><u>Foreign exchange risk:</u> The Project is exposed to FX risk, particularly as Turkish public sector entities are not able to hedge foreign currency denominated loans. . [REDACTED]. The proposed loan will increase AMM’s exposure to foreign exchange risk but the sensitivity analysis based on the AMM’s financial projections validates its resilience.</p> <p><u>Contracting/Implementation risk:</u> The City’s two stage tendering supported by external consultants will help mitigate these risks.</p> <p><u>Affordability risk:</u> The loan relies exclusively on the City budget for repayment. There is no impact on user affordability, as no fare adjustments are foreseen as part of the Project and loan conditionality.</p>
Strategic Fit Summary	The proposed Project is consistent with the Bank’s strategy for Türkiye, which emphasises increased environmental performance with a focus on emissions reductions under EBRD Green Cities. The Project is also in line with the Bank’s Municipal and Environmental Infrastructure (MEI) Sector Strategy as it supports green and sustainable investments and is fully in line with the Green Economy Transition Approach and the Strategy for the Promotion of Gender Equality.

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A senior unsecured loan of up to EUR 125 million in favour of Ankara Metropolitan Municipality for the construction of a 7.46 km metro line, including 8 stations in the city of Ankara in Türkiye. [REDACTED]. This operation is proposed as a follow-on investment under the Green Cities Framework 2 – Window II Extension 2 (“GrCF2 W2 E2”).
Existing Exposure	The Bank has an existing indirect exposure totalling EUR 57.1 million through the below loan: GrCF2 W2 - Ankara Bus Project (DTM 51474): EUR 57.1 million senior loan to EGO, guaranteed by the City [REDACTED].
Maturity / Exit / Repayment	Up to 12-year tenor [REDACTED]
Potential AMI eligible financing	None
Use of Proceeds	The proceeds of the Bank’s loan will be used for the construction of 7.46 km of metro line, including 8 stations and a depot. Disbursement will be monitored through proof of work statements submitted by the City.
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	<ul style="list-style-type: none"> • Ankara Metropolitan Municipality, the Borrower; • AFD, the Joint Co-Lender; • Electricity, Gas, Bus General Directorate (“EGO”), the Operator.
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	None. [REDACTED]
Other material agreements	N/A
Associated Donor Funded TC and co-investment grants/concessional finance	<p>Pre-signing: TC 1: Final Design Review Study for the City to receive central government approvals, which made the project eligible for EBRD financing. [REDACTED]. TC2: Technical, Financial, Procurement, Environmental, Gender and Social Due Diligence: The assignment includes digital & smart solutions and proposals as well as an in-depth gender analysis. [REDACTED]. TC 3: Advance Procurement Support: Consultancy support to the AMM for the contracts proposed for financing by the EBRD, including (i) review of the design documents and technical specifications prepared by a local company, (ii) preparation of the Tender Documentation and (iii) management of procurement process up to the contract/s award, to ensure compliance with the EBRD PP&Rs. [REDACTED].</p> <p>Post-signing: TC 4: Monitoring and Implementation Support: Project monitoring and implementation services to the AMM to support with monitoring of the project implementation, the reporting requirements (including ESAP) and the implementation/adoption of the Land Value Capture (“LVC”) model, which will be developed via the TC under the Bank’s GrCF2 - Ankara Bus Project (signed in December 2020) around the metro stations to be developed under the Project. [REDACTED].</p> <p>Reimbursement & Cost Sharing: The above TC assignments are non-reimbursable transactional TCs, required to prepare and implement the project to achieve project objectives. [REDACTED].</p>

[REDACTED]

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Ankara is the capital and second largest city of Türkiye with 5.7 million inhabitants. The City's population is steadily increasing at approximately two per cent annually. According to TurkStat's projections, Ankara is expected to have 6.3 million inhabitants by 2025. Such growth has placed stress on the City to provide services necessary for its citizens, including urban transport and mobility. Ankara currently benefits from an integrated network of railways, metro, buses, and a cable car. The use of minibuses and privately operated bus lines are also prevalent. Considering increasing demand, the current transport system, unfortunately, is insufficient to deliver sustainable and environmental friendly urban transport services.

The envisaged project is expected to result in safer and more reliable transport services for up to 140,000 passengers per day³ and will significantly reduce high traffic congestion and noise pollution. The new metro line, together with its integration to the existing network, will replace high-carbon modes such as urban buses, minibuses and private cars that use fossil fuels achieving transport modal shift thereby reducing GHG and air pollutant emissions from transport in Ankara. These improvements will significantly reduce air pollution with the estimated average reduction of [REDACTED] tCO₂e emissions [REDACTED]. Additionally, the Project will result in reduction of [REDACTED] tHC, [REDACTED] tNO_x and [REDACTED] tPM per year on average [REDACTED]. The new line will carry more [REDACTED] passengers annually in Ankara [REDACTED].

The investment is a sub-project under EBRD Green Cities (Green Cities Framework 2 – Window II Extension 2 or “GrCF2 W2 E2”), and is a ‘follow-on investment’ addressing priority environmental challenges identified by the Ankara's Green City Action Plan (“GCAP”). Ankara City has begun GCAP development in December 2021 together with the delegated consultants and stakeholders. Given the solid progress, the GCAP is aimed to be completed in [March 2023] and to be approved by the City council in [the first half of 2023]. In addition to improving sustainable urban transport services, the Project will support the City to address two of the priority environmental challenges identified by the GCAP; which are air pollution and climate mitigation (GHG emission). The Project is eligible under GrCF2 W2 E2 due to its significant GHG reductions and positive impact on air pollution, aligning with the City's GCAP and complying with decarbonisation objectives of the City through developing sustainable transportation systems.

The Project is consistent with the Bank's strategy for Türkiye which emphasises increased environmental performance with a focus on emissions-reductions initiative under EBRD Green Cities, and Municipal and Environmental Infrastructure (MEI) Sector Strategy as it supports green and sustainable investments. It is also fully in line with the Green Economy Transition Approach. It furthermore supports the Strategy for

³ Estimated by 2050

the Promotion of Gender Equality due to its strong potential to improve women's access to services.

The Project contributes to a host of UN Sustainable Development Goals (SDGs), including: SDG 3. Good Health and Well-being, SDG 5. Gender Equality, SDG 9. Industry, Innovation and Infrastructure, SDG 11. Sustainable Cities and Communities, SDG 12. Responsible Consumption and Production, and SDG 17. Partnerships for the SDGs.

1.2 TRANSITION IMPACT

The GrCF2 represents a strategic and multi-project approach seeking to help identify and address environmental challenges in selected large cities in our countries of operation. The primary goal is to achieve significant environmental improvements and to promote the **Green** transition quality within the relevant cities. In addition to the environmental objective, the GrCF2 also promotes sustainable cities through inclusive, resilient, well-governed and smart urban development. These transition objectives are supported by the development and implementation of a city-specific GCAP aiming to identify environmental challenges, facilitate better coordination and buy-in among stakeholders and help to prioritise and develop the best ways to address the environmental challenges through targeted investments, services and policy instruments.

This Project will contribute to achieving Framework objectives in the following ways:

Green: The Project will primarily help to promote the Green transition quality by supporting the City to implement its GCAP and address its prioritised environmental challenges through significant reductions in air pollution and GHG emissions [REDACTED], driven by a transport modal shift from high-carbon modes such as minibuses and private vehicles, to metro systems having zero carbon emissions profile at the local level. The Project is also expected to significantly reduce high traffic congestion and noise pollution and is in line with the Bank's GET approach.

Resilient: The Project will also support the Resilient objective through the adoption and implementation of the Land Value Capture ("LVC") model, which will be developed under the trigger project with the City, GrCF2 W2 - Ankara Bus Project (DTM 51474). [REDACTED] [T]he Bank will work closely with the Client to support the introduction of the LVC model around the metro stations to be developed under the Project.

[REDACTED]1.3 ADDITIONALITY

Identified triggers	Description
A subsequent/consecutive transaction with the same client/group either with the same use of proceeds or in the same country (repeat transaction).	The proposed project is a follow-on investment stemming from the City's GCAP, addressing two of the identified key environmental challenges (Reducing Air Pollution & GHG emissions and Development of Sustainable Transport Systems).

Additionality sources	Evidence of additionality sources
Financing Structure <ul style="list-style-type: none"> EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a longer grace period than the market average, restricted foreign currency financing. Such financing is necessary to structure the Project. 	<p>The Bank will be additional by providing long term financing to a Turkish municipality that would otherwise only be available to borrow with a sovereign guarantee and/or through an intermediary [REDACTED].</p>
Standard-setting: helping projects and clients achieve higher standards <ul style="list-style-type: none"> Client seeks/makes use of EBRD expertise on corporate governance improvements, including for climate risk mitigation. Client seeks/makes use of EBRD expertise on higher environmental standards, above 'business as usual' (e.g. adoption of emissions standards, climate-related ISO standards etc.). Client seeks/makes use of EBRD expertise on best international procurement standards. Gender SMART: Client seeks/makes use of EBRD expertise for the adoption of gender standards and/or equal opportunities action plans (e.g. improving women's access to safe transport and/or women-led businesses participation in the client supply chain). 	<p>EBRD credit, transition impact, procurement and environmental (as reflected in the GET contribution) related conditionalities go beyond what commercial funding sources would require, promoting performance improvements and greater transparency.</p> <p>Gender SMART: Mamak is one of the most densely populated districts of Ankara and is characterised by relatively low socioeconomic development. Women suffer from a lack of public services and difficulties accessing opportunities in neighbouring districts due to limited public transport. Overcrowded buses heighten the risk of GBVH and restrict the mobility of pregnant women, women with children and the elderly. The new metro will offer women faster, safer and more accessible trips at a lower cost compared to utilising multiple transport modes (minibuses, buses, metro). In combination with the implementation of EBRD's ESAP requirements [REDACTED], the project will thus create strong positive impacts for women in the City and in Mamak district in particular.</p>
Knowledge, innovation, and capacity building <ul style="list-style-type: none"> EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to strengthen the capacity of the client. 	<p>The Bank has relevant sector and municipal knowledge and will mobilise TC funding to support the City in implementing the project.</p>

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Predictability and strength of the institutional and financial framework	<i>Medium/ Medium</i>	<ul style="list-style-type: none"> The City is a municipal entity governed under the Turkish Municipal Code and operating under a predictable institutional framework. The City receives formula-based government transfers from the state. The revenue framework is designed to grant regular cash flows. [REDACTED]
Sovereign Risk	<i>Medium/ Medium</i>	<ul style="list-style-type: none"> Turkish municipal sector risk is highly correlated to sovereign risk. [REDACTED]. Turkiye's strong demographics, post-municipal elections structural reforms and continuing support to enhance industrial

		<p>competitiveness and the business environment are expected to generate sustainable growth.</p> <ul style="list-style-type: none"> Ankara is the capital city of Türkiye and hosts almost 6.7 per cent of the country's population with 5.7 million inhabitants with an average increase of 1.9 per cent in the last 10 years. The City is also the second largest contributor to national GDP with a share of 9.6 per cent.
Project Implementation Risk	<i>Low/High</i>	<ul style="list-style-type: none"> Physical and financial progress will be [REDACTED] monitored with the support of PIU consultants.
Financial Management Capacity	<i>Medium/Medium</i>	<ul style="list-style-type: none"> The risk is mitigated by the City's conservative financial management. The City has strong internal budget procedures and effective use of multi-year planning both required and enforced by law. Due diligence confirmed the City's creditworthiness. [REDACTED]. The City has credit ratings of BBB Standalone Credit Profile from Fitch.
Financial Strength	<i>Medium/Low</i>	<ul style="list-style-type: none"> The City has demonstrated strong financial performance [REDACTED]. The City's labour costs are low and stable. According to Türkiye's municipal legal framework, the labour cost of a municipality cannot be greater than 30 per cent of its annual revenues [REDACTED].
Leverage	<i>Medium/Medium</i>	<ul style="list-style-type: none"> [REDACTED] The City has a solid performance historically. [REDACTED].
Liquidity	<i>Low/Medium</i>	<ul style="list-style-type: none"> Ankara's large and diversified economy, and the City's robust operating performance and high self-funding capacity provide fiscal flexibility. [REDACTED]. The City has robust financials and is able to access short term credit lines. [REDACTED] Ankara's liquidity position remained solid with a cash balance amounting to EUR 96 million (TRY 867 million) at 2020 year end and EUR 75 million (TRY 1,131 million) at 2021 year end.
Contingent liabilities	<i>Medium/Medium</i>	<ul style="list-style-type: none"> The City's only contingent liability is the guarantee provided for EGO's debt by EBRD (EUR 57.1 million, Ankara Bus Project). [REDACTED].
FX and interest rate risk	<i>High/Medium</i>	<ul style="list-style-type: none"> The Project is exposed to FX risk, particularly as Turkish public sector entities (including municipalities) cannot hedge their loans due to regulations under municipal law. [REDACTED]. The proposed financing for the Dikimevi Natoyolu Metro project is also denominated in foreign currency. The Bank conducted an exchange rate sensitivity analysis under a variety of potential devaluation scenarios. [REDACTED].
COVID-19 Risk	<i>High/Medium</i>	<ul style="list-style-type: none"> Municipalities are not affected negatively as much as expected by Covid-19 crisis in Türkiye. [REDACTED].

2. MEASURING / MONITORING SUCCESS

<i>Overall objectives of project</i>	<i>Monitoring benchmarks</i>	<i>Implementation timing</i>
<ul style="list-style-type: none"> - On-time project implementation - Good financial and operational performance 	<ul style="list-style-type: none"> - Completion according to the timeline and within the budget - Revenue, profitability, cash-flows in line with projections. 	[REDACTED]

Primary quality: Green								
Obj. No.	FW Monitoring Indicator	Corresponding Sub-Project Monitoring Indicator	Details (FW)	Details for Specific Sub-Project	Baseline (Sub-Project)	Target (Sub-Project)	Due date (FW)	TC-related?
1.1	Number of recommended policy or strategy agreed by relevant stakeholder(s)	Recommended policy or strategy agreed by relevant stakeholder(s)	New Green City Action Plans: [REDACTED] new GCAPs finalised and submitted for approval by relevant authorities, and includes priority actions and a monitoring strategy in each participating City. Baseline target of the GrCF and GrCF2 combined is [REDACTED] GCAPs.	Ankara's GCAP will be sent to the City Council for approval including an implementation and monitoring strategy upon the completion by December 2022.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Performance or action plan implemented by the client	Performance or action plan implemented by the client	Strong follow-on support: 50% of transactions (under GrCF2 and future extensions) are follow-on investments addressing priority environmental challenges identified in the GCAPs.	The Project is the City's first follow-on investment from the GCAP, which addresses the priority challenge of air pollution and climate mitigation (GHG emission).	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.3	Performance or action plan implemented by the client	Performance or action plan implemented by the client	Multiple green investments: Each participating city makes [REDACTED] investments (with or without EBRD financing) that address priority	The project will be signed and implemented and meets the eligibility criteria for investments under GrCF2.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

			environmental challenges identified by the GCAP, where all EBRD financed projects will meet the extended Framework's eligibility criteria for investments.	The project will reduce CO ₂ emissions [REDACTED].				
1.4	Performance or action plan implemented by the client	Performance or action plan implemented by the client	Effective GCAP implementation: The Framework achieves at least 50 per cent of all verifiable targets, set in the GCAP [REDACTED] (including both investments and well-defined policy measures).	The Project promotes the GCAP target of enhancing sustainable urban mobility through enabling more diverse modes of low carbon transportation alternatives whilst reducing traffic congestion.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.5	Improved environmental standards	Improved environmental standards	Environmental impact: The Framework achieves significant environmental improvements for at least one priority environmental challenge, i.e. the promotion or protection of certain performance levels (colour codes) for priority environmental challenges as specified in the GCAPs, for more than 50 per cent of the Green Cities.	While the Project reduces GHG and air pollution emissions, the relevant environmental improvements within the respective cities will not be monitored at project level.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Secondary quality: Resilient								
2.1	Number of institution-level capacity strengthened in target area	Institution-level capacity strengthened in target area	Promote and help implement priority policy actions, as identified in the GCAP, to enhance urban resilience (including better risk assessment and mitigation, warning systems or emergency response planning).	The adoption of the Land Value Capture ("LVC") model illustrated by a proactive municipal real-estate management or the introduction of a local business development fee to capture the increased land value [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Project Monitoring Indicators

Objective	FW level aggregate indicator	Indicator (sub-Project)	Details (subproject)	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	TC-related ?
Core client indicators	Total Population benefitting (individuals)	Total Population benefitting from enhanced urban transport services (individuals)	Estimated as the increase in daily passengers using the metro line	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Annual reduction in tonnes of CO ₂ savings (tonnes CO ₂ eq / yr)	Annual reduction in tonnes of CO ₂ savings (tonnes CO ₂ eq / yr)	Annual reduction of CO ₂ emissions [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Annual reduction in tonnes of hydrocarbon (HC), NO _x and particulate matter (PM) savings (tonnes CO ₂ eq / yr)	Annual reduction in tonnes of hydrocarbon (HC) savings (tonnes CO ₂ eq / yr)	Annual reduction of HC emissions [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gender Smart	Number of beneficiaries with improved access to services	Number of individuals (women) with improved access to transportation services	Estimated as the increase in daily passengers using the metro line based on current share of female metro users [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Number of stakeholders who expanded access to/quality of services	Expanded access of infrastructure	Average trip cost for women reduced compared to combination of transport modes currently used for journeys between Dikimevi and Kizilay; [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Number of stakeholders with practices improved (e.g. inclusive infrastructure services/design, inclusive HR policies and practices, equal opportunities, inclusive procurement practices)	Practices of the relevant stakeholder improved (inclusive infrastructure services/design)	Client to implement awareness raising campaigns and improve its capacity on gender-responsive transport provision [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

Currently, with 5.7 million inhabitants, Ankara is the second largest city in Türkiye. Ankara, the capital of Türkiye, is located in the central Anatolia region. The City is an important crossroads for trade and forms a major junction in the road network of Türkiye. Ankara is Türkiye's second most important industrial city after Istanbul. Factories producing flour, sugar, macaroni products, biscuits, milk, wine and beer, cement, construction materials and tractors are well established. Government institutions and universities are the main employers.

AMM is a public legal entity established and governed under Turkish law. It provides municipal services either directly or through its companies for such services as water supply, wastewater treatment, solid waste management, transportation, gas distribution, housing, and urban planning amongst others.

Over the past several years, AMM's operating performance has been strong, thanks to the City's large and dynamic economy. [REDACTED].

3.2 EGO

Ankara Electricity, Gas and Bus Operations Organization (EGO General Directorate) is a municipal company wholly owned by Ankara Metropolitan Municipality. Established in 1942, the Company provided a wide range of services such as electricity, coal gas, and public transport to the City and has its own independent budget and organizational structure. Currently, EGO undertakes the bus and rail systems operations of the public transportation services in Ankara as well as the transportation planning services. EGO management are consisting of civil servants subject to public code and EGO management is selected by the Mayor and appointed by Minister of Interior. Organizational structure of the Operator and number of employees are regulated by law.

EGO is the main bus operator in the city with 1,683 buses operating, of which 361 Diesel buses, 1322 CNG buses on 341 routes. In addition to the municipal bus operations, EGO also operates the metro network (Ankara Metro), light rail line (Ankaray) and cable car line (3.3 km). The Company uses e-ticketing system, which is fully integrated with rail systems and cable car lines. In total, EGO operates a 64.3km rail network (including 8.5 km light rail line).

EGO exhibits its interest in improving its management activities. Over the years, the number of certified activities has been increasing and the company has in place several certifications in areas including ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 27001:2013 Information Security Management System and OHSAS 18001:2007 Intracity Public Transportation and Conveyance Services (Subway, Bus, and O-Bahn). The City and the Company implemented a monitoring system with several KPIs to improve operational efficiency. [REDACTED].

4. MARKET CONTEXT

There are 1397 municipalities in Türkiye which provide municipal services (i.e. water, waste water, transport, road construction, zoning plans etc.). These municipalities are grouped as follows: (i) Metropolitan Municipality; (ii) City Municipality; (iii) District Municipality within a Metropolitan Municipal Area; and (iv) District Municipality. Municipalities are headed by a mayor and municipal council administering an autonomous budget, audited by the Ministry of Interior and Court of Accounts on a random basis. Both the mayor and municipal council members are elected every five years.

Ankara's public transport works as an integrated network of commuter railway, metro lines (M1, M2, M3 and M4), bus networks, privately owned buses, and a cable car. EGO is a public institution responsible for Ankara's public transport planning and operation. EGO is also responsible for the procurement of goods, services, and infrastructure construction. Commuter railway (27 km), namely Baskentray, which is integrated to the metro through M1 line and it is operated by Turkish State Railways ("TCDD"). Ankara Metro, Ankaray, which is Light Railway Transit line, and cable car are operated by EGO. Bus networks are operated by EGO and two other private bus operators; i) ÖHO and ii) ÖTA. EGO has the largest market share. [REDACTED]. Apart from the fore-mentioned four operators, there are also private operators of minibuses and taxis. Tariffs are set by transport coordination committee of Ankara ("UKOME"), which is an independent public sector entity.

AMM Transportation Department is responsible for Ankara's transport planning, preparing the Transport Master Plan taking into consideration the land-use plans, ensuring traffic safety, optimal use of road capacity, and an integrated public transport system, creating smart mobility systems, creating a fleet monitoring system, notifying UKOME's decisions on routes that can be used to civil people, and companies, and issuing certificates of permission for service vehicles, minibuses, and taxis. The Transportation Department consists of the following Directorates; i) The Transportation Department consists of the following Directorates, ii) Inspection and Fleet Tracking Directorate, iii) UKOME Directorate, iv) Traffic Control Directorate and v) Administrative and Financial Affairs Directorate. [REDACTED].

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 ECONOMIC ANALYSIS

[REDACTED]

5.3 SENSITIVITY ANALYSIS

[REDACTED]

5.4 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

The Project has been categorized as “B” (ESP 2019). The Environmental and Social Due Diligence (ESDD) has been conducted by external consultants and included a review of all available information; an assessment of corporate management systems; interviews with representatives from the Ankara Metropolitan Municipality (AMM), project affected people, CSOs and local businesses; a site visit by ESD and consultants along the metro line; and an E&S impact analysis of the proposed Project. A separate gender assessment has been also conducted by the external consultants.

A review of the Client’s corporate management system showed that the Client requires significant improvements to their E&S management system and also allocation of sufficient resources to manage the project’s EHSS risks in line with the EBRD’s requirements. Similar findings were obtained in relation to the Company (EGO) responsible for the operation of the proposed metro.

Appropriate requirements for the Client and operating company are integrated into a draft Environmental and Social Action Plan. (ESAP) including but not limited to:

- Development of a Corporate Level Environmental and Social Policy;
- Establishment of a Health, Safety, Environment, and Social (HSES) management system in line with ISO 14001, ISO 45001, and Bank Performance Requirements (PRs);
- Establishment of an HSES team, including H&S, environment, resettlement and community liaison experts (CLO) to monitor the construction of metro projects;
- Development of a contractor management plan to cascade all E&S requirements throughout contractors prior to construction and operation;
- Development of a Resettlement Plan prior to land acquisition, and
- Implementation of a monitoring/audit program on contractors during construction and operations.

ESDD confirmed the Client and the operating company (EGO) manage their labour and working conditions in accordance with the Turkish Labour Law, however improvements are required to meet EBRD PR 2 requirements. These include, but not limited to development and implementation of a GBVH policy, conducting regular internal labour audits for contractors to ensure the main Contractor develops and implements an HR Policy, Code of Conduct, and a Personnel Regulation Procedure in line with national laws and PR 2 requirements, and implementation of an effective worker grievance mechanism, etc.

ESDD identified that the main environmental and health and safety impacts are associated with the construction activities and will include the generation, transportation and disposal of construction waste; rainwater runoff from the construction site; traffic, noise and dust. The residents who use the Aşık Veysel Park for recreational reasons will be affected during the construction phase. However, the adverse impacts will be temporary and construction-related. Additional mitigations will be developed and implemented to ensure the safety of children, the elderly and other affected people using the park. The ESAP includes actions to address such risks

including: community health and safety management plan to address potential H&S risks to communities; OHS management plan to address risks to workforce; an emergency response plan; building infrastructure surveys and vibration monitoring plan during construction and a detailed life and fire safety review of the Project components by third-party competent fire experts before the operation.

Other impacts from construction and operational phases are expected to be site specific and can be addressed through appropriate mitigation measures and enhanced E&S management system and ESAP actions.

According to national legislation, the project is not subject to national Environmental Impact Assessment, however additional surveys will require to be conducted, including structural building surveys within the zone of influence of the construction activities (including cultural heritage assets), soil and groundwater quality baseline assessment, and also additional social baseline surveys for land acquisition and economic impacts.

Project implementation activities are limited to the developed urban area within the boundaries of the city and no negative impact on biodiversity or impact on any sensitive ecological receptors or protected zones is identified.

ESDD confirmed that AMM considered effective measures to avoid significant resettlement impacts though the use of existing roads to minimize impacts of land acquisition. Nevertheless, the Project still requires land acquisition for entry and exits to the metro and other auxiliary facilities. Permanent land acquisition for the Project entails limited expropriation of private parcels and parcels belonging to the Municipality, Military, or some currently used as roads. There are 36 privately owned parcel that will be impacted by land acquisition. The total land required for the Project is 6,356 m². Private land expropriation is 3,818 m², with an average expropriation size of 127.3 m². All land will be acquired according to Turkish expropriation law and PR 5 requirements.

The Project is expected to trigger physical resettlement of two taxi stations (one temporary, one permanent) and two Municipal bread buffets in the same neighbourhood. The Project will also create temporary impacts on local businesses, shops around metro stations during construction due to road closures, dust and noise. The Bank provided technical support to AMM to develop a Resettlement Framework to address resettlement risks which will be replaced with a detailed Resettlement Plan once the detailed design is completed. Resettlement Plan will be implemented in consultation with affected people to address all these temporary and permanent impacts in line with PR 5 and national requirements.

Gender and Gender Based Violence and Harassment (GBVH) risks both to workers and communities are being assessed under a separate gender impact assessment report and various actions included into the ESAP to address gender/GBVH risks.

AMM obtained permits from the Ankara Cultural Heritage Conservation Region for the development of the Metro line. No critical cultural heritage has been identified on the metro line. However a chance find procedure and a monitoring program will need to be implemented to address any risks during construction as required by the ESAP.

The Environmental and Social Action Plan (ESAP) which has been developed to include all mitigation measures, has been agreed with the Client to bring them into compliance with national regulations and EBRD PRs.

A Stakeholder Engagement Plan (SEP) has also been developed as part of the ESDD to ensure comprehensive engagement and monitoring of the stakeholder engagement activities and implementation of other social impact management measures. The SEP and Grievance procedure were disclosed together with a Non-technical Summary (NTS) of all E&S impacts and mitigation measures together with PSD. The Resettlement Framework/Plan will also be disclosed by the client prior to land acquisition activities.

The Project will be monitored in terms of their environmental and social performance and implementation of the ESAP through annual E&S reports and site visits when deemed necessary.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on the City, its management and other relevant parties. [REDACTED]. It has been concluded that [REDACTED] this project does not pose an unacceptable reputational risk to the Bank.

[REDACTED]. All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

ANNEXES TO OPERATION REPORT

ANNEX 1	Project Information
ANNEX 2	Economic Assessment of the Project
ANNEX 3	Green Assessments
ANNEX 4	Implementation Progress of GrCF / GrCF2
ANNEX 5	Project Implementation

ANNEX 1 – PROJECT INFORMATION

The Dikimevi – Natoyolu Metro Line project is an extension of the existing line A1 that operates between AŞTI – Dikimevi stations and it will start in Cankaya district after Dikimevi Station, it will continue along Mamak district, and there will be 8 stations, namely Abidinpaşa, Asik Veysel, Tuzlucaayır, General Zeki Dogan, Fahri Koruturk, Cengizhan, Aksemsettin and Natoyolu. It provides a rail connection from the Mamak district to the city centre. Additionally, it provides a significant increase in the overall connectivity and accessibility. The Project includes the following features; i) civil works for 7,46 km of line extension, ii) elevator and escalators, iii) power supply and distribution, iv) signalling between two other lines, v) communication and environmental systems and (vi) a depot. The extension is represented in the Figure 1 in green.

Construction cost for the new metro line is estimated at EUR 337.4 million [REDACTED]. The Project has a length of 7,46 km [REDACTED].

The City will receive approvals from the central government for the investment. The Project will be eligible for foreign financing after obtaining the approvals. The tender process will be launched according to the Banks' PP&R [REDACTED].



Figure 1 Integration of Dikimevi-Natoyolu Line with Ankara Metro System

Integration with Ankara Transportation System: Ankaray currently operates on a 7.82 km line with 11 stations between ASTI – Dikimevi (or 8.52 km, if the stretch between ASTI and Depot area is included). Once the Sogutozu-ASTI and Dikimevi to Natoyolu line are operational, the total length of the line will reach 16.37 km. The existing Depot area will continue to serve the needs of the Ankaray line after the extension is built.

The Project goes almost parallel to Baskentray's section between Gulveren Station to Kayas Train Station. Ankaray connects with the M1-M2-M3 line on Kızılay station, and has one interface station with Baskentray at Kurtulus station. Once Sogutozu-ASTI section is operational, Sogutozu will serve as a second interface station between Ankaray and the M1-M2-M3 line.

The area of extension is a predominantly residential area, whereas the existing Ankaray line goes through the Central Business District. The new line will ease the connection between the residential areas in Dikimevi - Natoyolu section with the Central Business District. Stations in the Dikimevi-Natoyolu section are planned every 700m - 900m, with 1.27 km being the longest distance between two stations. This allows for an optimal capture of travel demand.

ANNEX 2 – ECONOMIC ASSESSMENT OF THE PROJECT

[REDACTED]

ANNEX 3 – GREEN ASSESSMENTS

Introduction

The project is assessed as aligned with the goals of the Paris alignment for mitigation and adaptation. The Project will replace higher-carbon modes such as urban buses, minibuses and private cars that use fossil fuels achieving transport modal shift thereby reducing GHG and air pollutant emissions in Ankara, resulting in a GET attribution of 100 per cent.

Paris alignment assessment

General screening of alignment with the mitigation goals of Paris Agreement

The project/economic activity is **included** in the 'aligned list'. There are **no** activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement

The project does not face any potentially material physical climate risks and it is unlikely to undermine climate resilience of the system in which it operates.

GET attribution

The Project will deliver a transport modal shift from higher-carbon modes to metro systems having zero carbon tailpipe emissions at the local level. The transport modal shift is main source of the reduction of GHG emissions realised by the shift in vehicle.km per type of bus (regular buses and mini buses) and private vehicles to metro vehicle.km travelled. [REDACTED]. **[RE]** The Project will lead to annual savings of [REDACTED] CO2 [REDACTED], [REDACTED] NOx [REDACTED], [REDACTED] HC [REDACTED] and [REDACTED] PM [REDACTED].

The Project is attributed as 100% GET eligibility under category 7.1 (Urban public transport) - demonstrating modal shift. In addition as per A.5.3.1.1. of the GET Handbook, Zero-direct-emissions fleet and related infrastructure : 'Projects involving new vehicles with zero tailpipe emissions and infrastructure for zero-carbon transport systems (for example, electric and hydrogen) are 100 per cent GET' - in this case relating to expansion of the metro system.

Green Finance Project Monitoring Plan

The GET share arises from capital investment into metro network expansion. The below table outlines the reporting channels, time frames and indicators selected to report on the successful implementation of the project resulting in GET outcomes. [REDACTED].

ANNEX 4 - IMPLEMENTATION PROGRESS of GrCF / GrCF2

Since 2016, the GrCF and GrCF2 have mobilised nearly EUR 5 billion in EBRD and donor funding. The Green Cities Framework (GrCF), approved by the Board in November 2016, set an ambitious agenda for the Bank's municipal business, with the over-arching aim being 'to serve as a sector-wide catalyst for addressing environmental challenges at the City level'. [REDACTED] [I]n October 2018 a new Framework was approved by the Board, Green Cities Framework 2 (GrCF2) [REDACTED].

ANNEX 5 - PROJECT IMPLEMENTATION

Procurement classification – *Public: sub-sovereign*

Project risk assessment:

[REDACTED]. The project is jointly co-financed by AFD, EBRD is the Lead Financier (LF). Hence, all procurement under the project will be in line with the requirements of EBRD's PP&R, May 2022. [REDACTED].

Project implementation arrangements:

The Client has an operational dedicated procurement department and technical departments that are managing in a decentralised manner the procurement activities of the City. The high-level municipal departments, especially those responsible with the large capital investments, are conducting procurement activities in a decentralised manner. [REDACTED].

All procurement activities of the City are conducted in accordance with the Turkish Public Procurement Law. The Municipality will enforce EBRD Procurement Policies and Rules (PP&R) for the first time. [REDACTED]. Advance Procurement Support consultants were assigned to support the PIU to ensure compliance with EBRD PP&R for the tendering process.

Procurement arrangements:

The Project is classified as a public sector operation for procurement purposes. Works and Consulting Services financed under the Bank's loan will be procured by Open Tendering procedures in accordance with the EBRD's PP&R for the public sector operations and the Client will use the Bank's Standard Tender Documents.

For the implementation of this project, the Client set up an *ad hoc* PIU acceptable to the Bank, that gathers staff from various departments (procurement, technical and legal). The PIU is currently supported with Advance Procurement Support Consultants. The Bank's Procurement Advisor will support the Client as needed on procurement matters.

The Client will use EBRD Client e-Procurement Platform (ECEPP) for all procurement under the project. [REDACTED].

All contracts will be subject to prior review by the Bank in accordance with the PP&R.

All technical assistance (TC) contracts will be procured in line with the requirements of the [EBRD PP&R]. [REDACTED].