DOCUMENT OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 28 May 2026[1]

TÜRKIYE

EQR: MALATYA WATER, WASTEWATER AND STORMWATER NETWORK

[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 (2024), 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

ABBREVIATIONS / CURRENCY CONVERSIONS

#	Number	**JPY**	Japanese Yen
%	Percentage	**k**	Thousand
AFD	Agence Française de Développement	**KGM**	General Directorate of Highways
AIIB	Asian Infrastructure Investment Bank	**km**	Kilometre
Capex	Capital expenditures	**LCU**	Local currency units
CBRT	Central Bank of the Republic of Türkiye	**LGD**	Loss Given Default
CHP	Combined Heat and Power	**m**	Million
CO2e	Carbon dioxide equivalent	**m3**	cubic meter
CPI	Consumer Prices Index	**m3/d**	cubic meter per day
e.g.	for example	**MoEUCC**	Ministry of Environment, Urbanization and Climate Change
EIB	European Investment Bank	**MoTF**	Ministry of Treasury and Finance
EIRR	Economic Internal Rate of Return	**Mw**	Moment magnitude
ENPV	Economic Net Present Value	**NATO**	North Atlantic Treaty Organization
EQR	Earthquake Response	**NTS**	Non-technical Summary
ESAP	Environmental and Social Action Plan	**OA**	Operating assets
ESG	Environmental, Social, and Governance	**PD**	Probability of Default
ESP	Environmental and Social Policy	**PIU**	Project Implementation Unit
etc.	et cetera	**PP&R**	Procurement Policies & Rules
EU	European Union	**PSD**	Project Summary Document
EUR/€	Euro	**RAROC**	Risk adjusted return on capital
FATF	Financial Action Task Force	**SDG**	Sustainable Development Goal
FDI	Foreign Direct Investment	**SEP**	Stakeholder Engagement Plan
FOPIP	Financial and Operational Improvement Programme	**SIF**	Sustainable Infrastructure Fund
FX	Foreign Exchange	**SSF**	Shareholder Special Fund
GDP	Gross domestic product	**TC**	Technical Cooperation
GET	Green Economy Transition	**TI**	Transition Impact
GHG	Greenhouse gas	**TRY**	Turkish Lira
i.e.	that is	**UN**	United Nations
IFI	International Financial Institution	**UNDP**	United Nations Development Programme
ILBANK	Iller Bankasi A.S.	**UoP**	Use of Proceeds
IRR	Internal rate of Return	**USD/$**	United States Dollar
IsDB	Islamic Development Bank	**WWTP**	Wastewater Treatment Plant
ISO	International Organization for Standardization	**YE**	Year end
JICA	Japan International Cooperation Agency	**YoY**	Year over year

CURRENCY CONVERSIONS

EUR 1 = TRY 51.4563 (as of 7 April 2026)

EUR / TRY[2]	**2022**	**2023**	**2024**	**2025**
EoP	19.9349	32.5739	36.7449	50.2859
Average	17.3642	25.6852	35.4779	44.7534

[2] *Central Bank of Türkiye's official daily exchange rates.*

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour the Republic of Türkiye ("Borrower"), represented by the Ministry of Treasury and Finance ("MoTF"), for the benefit of Malatya Water and Sewage Administration ("MASKI"), are submitted for consideration by the Board of Directors. The implementation agency will be Iller Bankasi A.S. ("ILBANK"), affiliated with the Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye.

The facility will consist of a sovereign loan to up to EUR 95 million to finance the rehabilitation and construction works of Malatya's water supply, wastewater and stormwater networks, and ancillary facilities including associated construction supervision services (the "Project"). Malatya was heavily impacted by the devastating 6 February 2023 Kahramanmaras earthquakes.

The expected transition impact of the Project is derived from (i) the Green quality, as the Project will improve water supply, sewage collection and stormwater management in the central districts of Malatya; and (ii) the Resilient quality, as the Project will strengthen MASKI's and Malatya Metropolitan Municipality's operational resilience from natural disasters via promoting greater disaster preparedness and climate risk management. The Project has 100 per cent green finance share. The Project is gender additional through the introduction by MASKI for the first time of sex-disaggregated data collection and reporting to support gender-responsive water and wastewater service delivery.

All project preparation and implementation TC support for this operation is funded by the EBRD Shareholder Special Fund ("SSF").

I am satisfied that the operation is consistent with the Bank's Strategy for Türkiye, the Infrastructure Sector Strategy, the Green Economy Transition 2030 Strategy, the Strategy for the Promotion of Gender Equality and with the Agreement Establishing the Bank.

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

Odile Renaud-Basso

BOARD DECISION SHEET

TÜRKIYE – EQR: Malatya Water & Wastewater Network Rehabilitation - DTM 55644	
Transaction / Board Decision	Board approval[3] is sought for a sovereign loan of up to EUR 95 million to the Republic of Türkiye ("**Borrower**"), represented by the Ministry of Treasury and Finance ("**MoTF**") for the benefit of Malatya Water and Sewage Administration ("**MASKI**", or the "**Beneficiary**"), to finance the rehabilitation and construction works of Malatya's water supply, wastewater and storm water networks, and ancillary facilities including associated construction supervision services in Malatya (the "**Project**"). The implementation agency for the Project will be Iller Bankasi A.S. ("**ILBANK**"), affiliated with the Ministry of Environment, Urbanization and Climate Change ("**MoEUCC**").
Client	The Borrower is the Republic of Türkiye, represented by the MoTF. ILBANK has been authorised to oversee and ensure implementation of all IFIs' critical infrastructure financing facilities in the earthquake region (including this Project) and MASKI will be the beneficiary of the loan.
Main Elements of the Proposal	**Transition impact:** **Primary Quality - Green** is derived from improved water supply, wastewater collection and stormwater management. The Project qualifies as 100 per cent green finance share. **Secondary Quality - Resilient** is derived from strengthening MASKI's and Malatya Metropolitan Municipality's ("**MMM**") operational resilience from natural disasters via promoting greater disaster preparedness and climate risk management. MASKI and MMM will benefit from the Capacity Building Programme TC, funded by the EBRD's SSF. **Additionality:** The Bank's additionality stems from financing structure, risk management, standard setting and knowledge, innovation, and capacity building. The Bank is providing long-term financing that is unavailable in the commercial market. **Gender Additionality:** The Project is gender additional as MASKI will introduce for the first-time sex-disaggregated data collection and reporting to support gender-responsive and inclusive water and wastewater service delivery related to accessibility, effective usage and health benefits. **Sound banking:** The loan is provided to the Sovereign.
Key Risks	Sovereign risk profile: Türkiye is rated BB-, B1 and BB- by S&P, Moody's, and Fitch, respectively. Contracting/Implementation risk: Advance procurement consultancy support will be provided to ensure the procurement process is compliant with the EBRD PP&R. Monitoring and implementation support consultant will be mobilized to assist with project implementation, monitoring and compliance with the EBRD requirements.
Strategic Fit Summary	The proposed Project is consistent with the Bank's strategy for Türkiye, which aims to support earthquake recovery and improve climate risk management, as well as with the Bank's Infrastructure Sector Strategy, as it aims to strengthen infrastructure resilience and enhance climate action. The Project is also fully in line with the Green Economy Transition 2030 Strategy, and the Strategy for the Promotion of Gender Equality.

[3] Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

Client	The Borrower is the Republic of Türkiye, represented by the MoTF. ILBANK has been authorised to oversee and ensure implementation of all IFIs' critical infrastructure financing facilities in the earthquake region (including this Project) and MASKI will be the beneficiary of the loan.
EBRD Transaction	A sovereign loan of up to EUR 95 million to the Borrower represented by the MoTF. The beneficiary of the loan will be MASKI, and the loan will be used to finance the rehabilitation and construction of Malatya's water supply, wastewater and stormwater collection networks and ancillary facilities including associated construction supervision services in Malatya, Türkiye. The Project will be implemented by ILBANK.
Mutual Reliance	*Is the Project part of the mutual reliance initiative? –No*
Existing Exposure	Sovereign exposure: EUR 578 million [REDACTED] under EQR: Gaziantep Duzbag Water Project, EQR: Hatay Arsuz Wastewater Project, EQR: Adiyaman Wastewater Network Project, EQR: Osmaniye Wastewater Treatment, Ispartakule - Cerkezkoy Railway Line Project, and Türkiye COVID-19 Equipment Emergency Response. Indirect sovereign exposure: EUR 690 million [REDACTED] under the 8 Hospital PPP Projects (EUR 434 million), the Türkiye Eurasia Tunnel Project (EUR 61 million), and the Nakkas Motorway Project (EUR 195 million).
Maturity / Exit / Repayment	The loan tenor is up to 18 years [REDACTED]
Potential AMI eligible financing	*None.*
Use of Proceeds - Description	The proceeds of the Bank's loans will be used for the rehabilitation and construction of 467 km water supply network, 118 km wastewater network, 9 km stormwater network, and the procurement of associated construction supervision services.
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	• The Republic of Türkiye, represented by MoTF, as the Borrower. • ILBANK, as the contracting authority and the project implementation agency. • MASKI, as the Beneficiary.
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Sovereign loan, unsecured.
Other material agreements	• Standard Terms and Conditions for the Bank' Sovereign Operations with MoTF. • Project Agreement with ILBANK and MASKI
Associated Donor Funded TC and Blended Concessional Finance	**Pre-signing:** **TC 1: Feasibility Study and Environmental & Social Due Diligence** to assess and develop the Priority Investment Plan ("PIP"), including procurement and contract strategy; assess compliance with the EBRD Environmental and Social Policy and Requirements, including development of the ESAP, Resettlement Plan (if required), Non-Technical Summary ("NTS"), and Stakeholder Engagement Plan ("SEP"). The cost of the assignment was EUR 175,000 and funded by the SSF Work Plan 2023-2024. **TC 2: Advance Procurement Support**: to include consultancy support to ILBANK with tender preparation and contracting in line and compliance with the EBRD

	PP&R, thereby facilitating implementation of the Project. The cost of the assignment is EUR 74,900 and funded by the SSF Crisis Response Line. **Post-signing:** **TC 3: Implementation & Monitoring Support**: to support ILBANK with the project implementation and monitoring and to ensure compliance with EBRD reporting requirements, including support for ESAP implementation. The estimated cost of the assignment is up to EUR 350,000 and funding is secured from the SSF Crisis Response Line. **TC 4: Capacity Building for EQR Municipalities in Türkiye** for the benefit of Adiyaman, Hatay, Malatya, and Osmaniye Municipalities and their respective municipal water companies, with a particular focus on strengthening their crisis response, asset management, and non-financial risk management; approved under SOEs Management Assistance Reform and Transformation ("SMART") - TC Support Programme 2024/2025 by SMART – for up to EUR 530,000 (EUR 132,500 per each municipality), and funding is secured from the SSF Crisis Response Line. ***Cost sharing:*** The client will make a parallel financial contribution by covering the costs of supervision services from the loan proceeds, estimated at up to EUR 5.4 million.
[REDACTED]	

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Malatya, in southeastern Türkiye, is a city with a population of 775,854. Heavily affected by the 6 February 2023 earthquakes that struck 11 provinces, Malatya suffered 1,237 deaths and extensive structural damage: 3,670 buildings collapsed and 22,326 were severely damaged. Overall, the disaster caused over 50,000 deaths and approximately USD 104 billion in damages, equivalent to 11 per cent of Türkiye's GDP.

Earthquakes severely damaged Malatya's central water, wastewater, and stormwater systems, causing water losses, wastewater leaks, and infiltration of groundwater and stormwater into the wastewater network. These problems lowered nutrient levels at the wastewater treatment plant ("WWTP"), resulting in unstable treatment processes, and increased environmental pollution as stormwater mixed with untreated wastewater.

The Project consisting of rehabilitation and construction of 467 km water supply network, 118 km wastewater network, and 9 km stormwater network seeks to restore essential services, enhance public health, and improve the resilience and sustainability of central Malatya's water, wastewater and stormwater infrastructure.

The Project will provide environmental benefits by ensuring reliable water supply and reducing physical losses, improving wastewater collection to protect water resources and support the city's WWTP to operate in EU-compliant design standards, and lowering flood risks in urban areas. It aligns with EU Taxonomy and significantly advances climate change adaptation.

Since 2023, the Turkish Government has prioritised urgent infrastructure projects as part of its earthquake response programme. Some critical works have already been completed using state funds. ILBANK and MoEUCC assessed water sector needs in the earthquake region, identifying EUR 2.0 billion in necessary investments. In parallel, the EBRD and other IFIs have closely coordinated their support for the Government's broader earthquake recovery efforts, with total financing for immediate and mid-term recovery across all sectors (including water and wastewater, housing, transport and others) reaching EUR 5.0 billion. ILBANK, recognised for its technical expertise, has been appointed by the central government to implement or supervise all IFI earthquake response facilities.

Following a 2024 MoU with the Turkish Government, the Bank is developing six major water sector projects across five cities: Gaziantep, Hatay, Adiyaman, Malatya, and Osmaniye. To date, the Bank has signed agreements for four projects: the EQR Gaziantep Duzbag Water Project (November 2024), EQR Hatay Arsuz Wastewater and EQR Adiyaman Wastewater Network (May 2025), and EQR Osmaniye Wastewater Treatment Project (February 2026).

The Project is consistent with the Bank's Country Strategy for Türkiye as it aims to support earthquake recovery and improve climate risk management, and the Infrastructure Sector Strategy as it aims to strengthen infrastructure resilience and enhance climate action. The Project is also fully in line with the Green Economy Transition 2030 Strategy, and the Strategy for the Promotion of Gender Equality.

The Project contributes to UN Sustainable Development Goals (SDGs), including SDG 3. Good Health and Well-Being, SDG 5. Gender Equality, SDG 6. Clean Water and Sanitation, SDG 11. Sustainable Cities and Communities, SDG 13. Climate Action.

1.2 TRANSITION IMPACT

The table below sets out the TI Objectives and details of the Project.

Primary Quality: Green

Obj. No.	Objective	Details
1.1	*The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance exceeds 50%.*	The Project will support the Green transition quality by improving water supply, sewage collection and stormwater management in the central districts of Malatya. Environmental benefits will be achieved through provision of good quality and reliable source of water to Malatya's residents. The rehabilitation of the city's water supply network will reduce the NRW due to physical losses. Improved wastewater collection will help protecting surface and groundwater resources and enable the city's central WWTP to operate at design parameters meeting EU standards. Improved stormwater system will bring additional adaptation benefits by reducing the risk of flooding in urban areas during heavy rainfall.
1.2	*The project has a good climate resilience benefit-to-cost ratio which exceeds one.*	The Project will improve MASKI's capacity to handle precipitation regime related risks and droughts. The Project's lifetime climate benefits (EUR 137 million) exceeds its total CAPEX and lifetime OPEX by a factor of 1.34.

Secondary Quality: Resilient

Obj. No.	Objective	Details
2.1	*The project supports the Resilient quality [REDACTED]*	The Project will support resilient transition by implementing a 36-month capacity-building programme for MASKI and MMM. The programme will strengthen crisis response, asset management, and non-financial risk management. After the earthquakes, MASKI faced infrastructure damage that hindered essential services. Employees of MASKI and MMM will receive certification after completing the training, which covers three core modules. (i) Crisis Management Capacity – Strengthening the knowledge and skills necessary to effectively

		respond to and support the management of crises that may impact municipal operations, ensuring the municipality can maintain critical services and promptly return to normal operations in earthquake-prone areas. (ii) Asset Management Capacity – Enhancing the ability to effectively manage municipal assets, with a particular focus on crisis response and risk management, ensuring resilience and sustainability. This will ultimately enable quick recovery and continuity of services during and after crises. (iii) Non-Financial Risk Management Capacity – Building capabilities for identifying, assessing, and managing non-financial risks, including ESG risks, fostering a risk-aware culture within municipal companies, and ensuring compliance with relevant regulations. This capacity building programme is aligned with the Türkiye Country Strategy 2024-2029, which aims to strengthen resilience from natural disasters via promoting greater disaster preparedness and climate risk management to enhance operational resilience at the national and municipal level.

Delivery risks: [REDACTED] These risks are partially mitigated by technical assistance aimed at supporting the ILBANK's project implementation capacity and TC design for the capacity building programme in close consultation with other stakeholders.

1.3 ADDITIONALITY

Identified triggers	**Description**
No triggers identified	n/a
Additionality sources	**Description of additionality sources**
Financing Structure EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a longer grace period. Such financing is necessary to structure the Project.	The Bank will provide long term financing for the rehabilitation of vital environmental infrastructure. Such long-term sovereign financing is not available from commercial banks.
Risk Mitigation EBRD helps the client to mitigate ESG risks through identification of risks related to the depletion of natural capital assets, raw materials and water availability, etc., and to manage these risks.	The Bank has conducted a thorough technical, environmental, social and gender due diligence to help ILBANK and MASKI to mitigate ESG-related risks.

Policy, sector, institutional, or regulatory change EBRD's involvement in a project is considered additional when it is designed to trigger a change in the policy, sector, institutional or regulatory framework, or enhance practices at the sector or country level (e.g., an introduction of cost-reflective pricing of energy, water etc.)	EBRD's involvement in the Project is considered additional as it will allow the Republic of Türkiye to respond more effectively to the earthquake crisis.
Standard-setting: helping projects and clients achieve higher standards - Client seeks/makes use of EBRD expertise on best international procurement standards. - Client seeks EBRD expertise on higher environmental standards, above 'business as usual' (e.g. adoption of emissions standards, climate-related ISO standards etc.).	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.
Standard-setting: helping projects and clients achieve higher standards - Client seeks/makes use of EBRD expertise for the adoption of **gender standards and/or equal opportunities action plans**	Women are disproportionately affected by inadequate access to water, sanitation, and hygiene. Without specific attention to gender considerations, water and wastewater projects risk reinforcing existing inequalities, limiting women's participation in the sector, and perpetuating harmful social norms. In disaster-affected settings, water shortages and poor sanitation can further exacerbate inequalities by increasing household responsibilities, reducing income opportunities, and heightening risks of gender-based violence due to longer travel distances for water collection. This project aims to address some of these challenges by introducing for the first-time sex-disaggregated data collection and reporting requirement on the operations and service delivery by MASKI. MASKI will leverage the World Bank's Toolkit for "Mainstreaming Gender in Water Operations" to implement gender-sensitive monitoring and evaluation, focusing on key indicators such as access, service use, time savings, participation and health benefits. MASKI will commit to tracking [REDACTED] indicators and reporting annually to the Bank. Such data driven, evidence-based approach will guide MASKI's gender-responsive HR policies and practices in relation to skills training and employment to increase women's participation in MASKI. It will also support MASKI in applying a gender lens to water and wastewater service delivery in relation to accessibility, health benefits, effective usage, and participation and, in such a way enhance women's access to services and improve their economic, social, and health outcomes in the city of Malatya.
Knowledge, innovation, and capacity building	The Bank has relevant sector knowledge and will mobilise TC funding to support implementation of the

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.	Project and capacity building programme for beneficiaries. The Project will be procured under the EBRD's PP&R.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Fiscal/Macro-economic risk	Medium/ Medium	The proposed transaction is a sovereign loan to the Republic of Türkiye, represented by the MoTF as the Borrower, for the benefit of MASKI. [REDACTED] all three major rating agencies have recently upgraded Türkiye's credit rating to B1/BB-/BB- level with positive/stable outlook.
Implementation risk	Medium/ Medium	The Project will be implemented by ILBANK as the contracting authority. ILBANK is highly experienced in implementing IFI financed projects as it has been the intermediary of IFI/DFI loans (such as the World Bank, EIB, AFD, JICA etc.) for over 10 years. To mitigate the implementation risk, ILBANK will be supported by (i) an advance procurement consultant and (ii) an implementation and monitoring support consultant to assist with project implementation monitoring (including the delivery of ESAP) and reporting. ILBANK will establish a Project Implementation Unit (PIU) which will environmental & social, technical, and procurement experts. The EBRD PP&R will apply, and the Bank will closely follow the key procurement and implementation milestones while sharing its experience and expertise on how to best mitigate respective risks.
Cost over-run risk	Medium/ Medium	The cost of key construction materials can fluctuate significantly [REDACTED] To mitigate these risks, the budget study provided by the technical consultant includes a contingency specifically for unexpected costs.
Geopolitical risk	Medium/ Medium	Regional tensions and military conflict in Iran may increase security risks or cause temporary economic disruption. [REDACTED] No significant disruption to construction or operations is anticipated.

2. MEASURING / MONITORING SUCCESS

Overall objectives of project	*Monitoring benchmarks*	*Implementation timing*
- On-time project implementation - Implementation of Capacity Building for EQR Municipalities in Türkiye for MASKI	- Completion according to the timeline and within the budget - Completion of the Capacity Building for EQR Municipalities in Türkiye for MASKI.	[REDACTED]

Transition Impact Monitoring Indicators

Primary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Water saved (m3/year)	The rehabilitation of the water supply network will lead to reduction in physical losses.	0	6,386,580	[REDACTED]
1.2	Operational performance of the client	The Project will improve MASKI's capacity to handle precipitation regime related risks and droughts. The Project's lifetime climate benefits (EUR 137 million) exceeds its total CAPEX and lifetime OPEX by a factor of 1.34.	0	1.34	[REDACTED]

Secondary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Practices of the relevant stakeholder improved (operational) [Donor TC]	Development of the Türkiye Capacity Building for EQR Municipalities with involvement of MASKI and MMM.	No	Yes	[REDACTED]
2.2	Practices of the relevant stakeholder improved (operational) [Donor TC]	[REDACTED] employees from MASKI and MMM completed their trainings under Türkiye Capacity Building for EQR Municipalities – Module I: Crisis Response	No	Yes	[REDACTED]
2.3	Practices of the relevant stakeholder improved (operational) [Donor TC]	[REDACTED] employees from MASKI and MMM completed their trainings under Türkiye Capacity Building for EQR Municipalities – Module II: Asset Management Improvement Programme	No	Yes	[REDACTED]
2.4	Practices of the relevant stakeholder improved (operational) [Donor TC]	[REDACTED] employees from MASKI and MMM completed their trainings under Türkiye Capacity Building for EQR Municipalities – Module III: Non-financial Risk Management	No	Yes	[REDACTED]

Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date
Gender SMART	Practices of the relevant stakeholder improved (data collection, reporting)	MASKI will commit to collecting sex-disaggregated data by using World Bank's Toolkit for Mainstreaming Gender in Water Operations and reporting annually to the Bank according to at least four indicators which will guide the Client's HR policies and water and wastewater service delivery.	No	Yes	[REDACTED]

3. KEY PARTIES

3.1 BORROWER: THE REPUBLIC OF TÜRKIYE

The proposed transaction is a sovereign loan to the Republic of Türkiye, represented by the MoTF. MoTF is headed by the Minister of Treasury and Finance. The current Minister, Mehmet Simsek, has been in the office since June 2023. Mehmet Simsek had previously served as the Deputy Prime Minister for Economic and Financial Affairs (2015-2018), as the Minister of Finance (2009-2015), and as the Minister of Economy (2007-2009). Please refer to the sovereign risk assessment in Section 5.1 for more information on the Borrower.

3.2 IMPLEMENTATION AGENCY: ILBANK

ILBANK is a development and investment bank serving 1,473 local authorities in Türkiye, including municipalities, provincial administrations, and water and sewage administrations. Headquartered in Ankara with 17 regional offices, ILBANK employed 2,750 staff at the end of 2024.
Its main role is financing urban infrastructure for local governments, alongside project development, technical collaboration, budget fund allocation, and resource procurement. ILBANK works with domestic and international financial institutions to secure funding for these projects.

Governance is exercised through a seven-member Board of Directors, overseen by the General Assembly, and supported by an Audit Board appointed by the MoEUCC and MoTF. Auditors follow legal requirements under Law No 6762.

ILBANK is authorised to manage IFIs funds for Türkiye's earthquake relief, collaborating with EBRD, World Bank, EIB, AFD, AIIB, JICA, and others. It has channelled IFIs funds to municipalities for over a decade and will implement current critical infrastructure projects.

3.3 BENEFICIARY: MASKI

MASKI, as the beneficiary, is the public utility responsible for providing water distribution and sewage services in the provincial boundaries of Malatya. It is an affiliated entity of Malatya Metropolitan Municipality and operates with an independent budget. General Director of MASKI is elected upon the proposal of the mayor and approved by the Minister of Interior Affairs. The Municipal Council of Malatya Metropolitan Municipality acts as the General Assembly of MASKI, and the mayor chairs its Board of Directors. MASKI has its own assets, management, revenues and borrowing capacity.

As of YE-2025, MASKI has c. 303,000 subscribers, covering a population of c.743,000. Its service area spans 12,193 km^2. MASKI employs 1,004 people. MASKI has 237 km of stormwater network, 11,605 km of water supply network and 4,680 km of sewage network. It operates 17 WWTPs.

MASKI works in cooperation with several international organisations and financial institutions such as the EU, through the EU Regional Trust Fund in Response to the Syrian Crisis (the EU Madad Fund), AFD and JICA for its investment projects.

4. MARKET CONTEXT

Türkiye has 1,400 municipalities providing services like water supply, wastewater management, transportation, road construction, and zoning. These are classified as metropolitan, city, district within metropolitan, district, and town municipalities, each led by an elected mayor and council with autonomous budgets. Audits are conducted randomly by national authorities.

Urban drinking water and wastewater services are centrally regulated: municipalities manage day-to-day operations, while the central government oversees major investments. Municipality-owned utilities handle water supply and wastewater, adjusting tariffs yearly or monthly, resulting in varying rates across cities. Tariffs involve increasing-block rates for residential users and linear rates for commercial users, with discounts for certain groups and areas.

Cost recovery through tariffs is high, yet external grants and loans remain necessary, especially for wastewater treatment to meet EU standards. Water allocation prioritizes municipal use, environmental needs, agriculture, energy and industry, then trade and tourism.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 ECONOMIC ANALYSIS

[REDACTED]

5.3 Projected Profitability for the Bank

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (2019 ESP) The Project is expected to result in environmental and social ("E&S") benefits through the rehabilitation of the existing and water, wastewater and stormwater network connections damaged in the earthquake in 2023, and expansion the network with new lines. An independent E&S due diligence undertaken as part of the feasibility study for the project showed that E&S impacts are common for the sector and can be addressed with targeted mitigation measures. The ESDD included a review of current water and wastewater treatment operations, an assessment of potential Project E&S impacts, a social and gender assessment, and a review of ILBANK (implementing agency) E&S management system and capacities, as well as MASKI (Beneficiary) capacity to operate the network according to the applicable requirements. The ESDD identified potential E&S impacts and defined mitigation and management measures.

Based on the results of the ESDD, an Environmental and Social Action Plan ("ESAP") was developed to ensure compliance with Bank's PRs and was agreed with ILBANK and MASKI prior to the Board. A project implementation support, which includes E&S capacity support, will be mobilised and is expected to support the PIU for the satisfactory implementation of the ESAP, including permitting requirements and livelihood impacts management. Impacts related to associated facilities will be managed in line with objectives of environmental and social requirements and local legislation. Project tender documents will include requirements to appropriately manage E&S risks and impacts associated with the Project. A post-signing Technical Cooperation assignment to help the client in building their E&S capacity and implement the ESAPs will be provided.

The Project consists of construction of new water, storm water pipes and sewage line corridors as well as reinstatement and reconstruction of the existing network. The priority investments programme (PIP) was assessed as part of the feasibility study and its implementation is expected to significantly improve efficiency, reliability, and stormwater and wastewater collection and treatment in Malatya city, thus contributing to the prevention of ground and watercourses pollution and improvement of public health. The new and improved network system will enhance the efficiency and climate resilience of the wastewater infrastructure by replacing the existing combined system with separate water, wastewater and stormwater collection networks, which will ultimately improve treatment efficiency and support sustainable water management. The network upgrades designs seek to avoid and reduce E&S impacts by following existing routes, existing road involving mainly state-owned land to avoid physical and economic resettlement. Construction may still bring in temporary impacts on livelihoods related to access restrictions, especially in rural areas which will be

managed through detailed route surveys and if identified application of mitigation and restoration measures as agreed in ESAP including access restriction limitation, access facilitation with alternatives and traffic management measures, preventive and contractual measures for incidental damages by contractors and livelihood restoration for impacts that cannot be fully mitigated.. No significant biodiversity issues are present in the project area that consists of highly modified environment. The Project is not located in proximity to any cultural heritage sites; however, a chance find procedure will be implemented during construction. The implementation of PIP involves construction works that will result in limited, localised, and short-term adverse environmental impacts, which will be mitigated or prevented by adhering to good construction practice.

The ESAP requires the development of construction and operational E&S management plans for the Project with associated procedures also to apply to contractors. These plans will address such E&S impacts as construction impacts on livelihoods and access restrictions, noise and vibration, dust control, road and traffic management, site reinstatement, worker and community health and safety, and emergency response. The Project will connect pipes network to the existing WWTPs that are already operating in accordance with EU standards. The Project will require a substantial workforce during construction, which exceeds local worker availability. The Project will develop a set of management plans including procedures and commitments, and the necessary resources, focusing on such areas as equal opportunities, capacity building, working conditions and labour practices, GBVH prevention, worker accommodation and health and safety in line with the EBRD's requirements. A grievance mechanism will also be developed for both workers and third parties. To meet the Bank's requirements for stakeholder engagement and information disclosure, a Stakeholder Engagement Plan and a Non-Technical Summary for the Project are being developed and will be disclosed by both ILBANK and MASKI.

6.2 INTEGRITY

Integrity due diligence has been undertaken on the Borrower, ILBANK (as the Implementation Agency), and MASKI (as the Beneficiary), and other related parties.

[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	Transition Impact Scoring Chart
ANNEX 3	Green Assessments
ANNEX 4	Project Implementation

ANNEX 1 – PROJECT INFORMATION

Malatya is a city located in east-central Türkiye, with a population of 775,854. It spans an area of 12,313 km^2 and has an elevation of 964 meters above sea level.

Malatya is divided into 13 districts, including Battalgazi and Yeşilyurt in the metropolitan area (also the districts where the Project will be implemented), which account for approximately 77 per cent of the province's total population.

Picture 1: Türkiye Malatya Map with Administrative Boundaries and Districts

February 2023 earthquakes severely damaged Malatya's central district, disrupting water supply, wastewater, and stormwater systems. This led to water losses, leaks, groundwater infiltration, and weakened wastewater treatment due to insufficient nutrients. The city started rapid renewal projects to restore and upgrade the infrastructure, with ongoing efforts focused on enhancing resilience and service quality.

The drinking water demand of the city center of Malatya is mainly supplied by Pinarbasi spring catchment (Kaptaj) and partially by wells. The Kaptaj facility is located at an elevation of 1,210 above sea level and provides untreated but disinfected (chlorinated) water directly to the urban network. Deep wells located in different areas serve as Malatya's secondary water source.

Malatya's water distribution network supplies water to an urban area of 315 km^2 through a c. 1,500 km pipeline. The aging infrastructure, as well as the sustained damage from the earthquakes resulted in above-average levels of NRW (55.50 per cent).

Malatya's central wastewater network uses concrete and corrugated polyethylene pipes, directing flow to the Advanced Biological Wastewater Treatment Plant, operating since 2004. The facility handles 133,629 m^3/day for a population equivalent of 540,000 and meets EU standards for sensitive areas over 100,000 people.

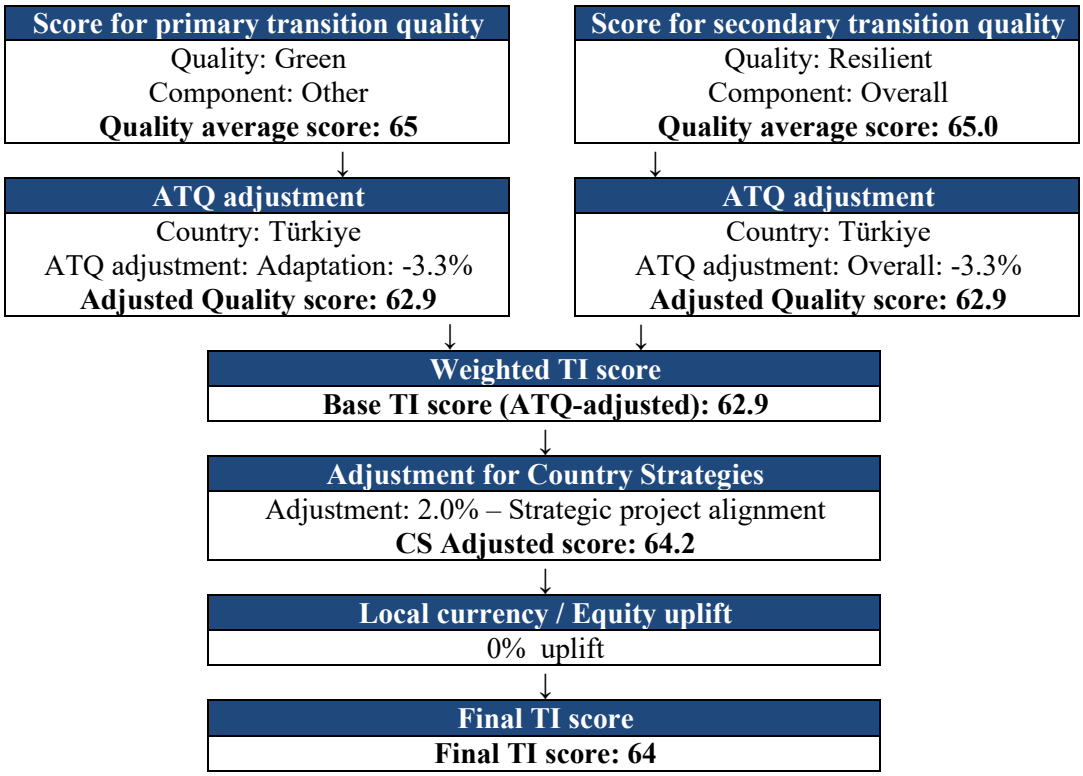
The Malatya Central stormwater network includes about 113 km of concrete, 12 km of steel, 89 km of corrugated polyethylene, and 50 km of PVC pipes. Much of the project area lacks stormwater collection systems.

The Project:

The Project includes three main components: rehabilitating water supply and sewer networks and building stormwater infrastructure. It will be carried out in Battalgazi and Yeşilyurt districts of Malatya (population 584,453 in 2025). Coverage areas differ for each sub-project, so beneficiary numbers vary: water supply (470,110), wastewater (346,581), stormwater (584,453).

[REDACTED]

ANNEX 2 – TRANSITION IMPACT SCORING CHART



ANNEX 3 – GREEN ASSESSMENTS

SUMMARY

- The Project includes the rehabilitation of approximately 467 km of a water supply network, 118 km of sewer network, and 9 km of stormwater network in the city of Malatya. Also 4 new reservoirs with a total volume of 10,000 m^3 will be installed as part of the Project.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed **100% green finance.**
- Climate-related financial risks have been assessed [REDACTED]

PARIS ALIGNMENT ASSESSMENT

Alignment with the mitigation goals of Paris Agreement - General screening
The project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The projects activity is included in the 'MDBs' aligned list' under the category "Water supply systems"
- The project is classified as a construction extension and operation of wastewater collection and treatment project and is fully aligned with EU Taxonomy and makes a substantial contribution to the environmental objective of Climate Change Adaptation.
- There are no activities included in the 'non-aligned list'.
- Applicable additional or specific conditions associated with the 'aligned' project have been met.

Alignment with the adaptation goals of Paris Agreement
The project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. All material physical climate risks have been addressed**.**

GREEN FINANCE ATTRIBUTION

The Project is attributed **100% green finance**[4]. This share has been calculated in line with GET Handbook (February 2024) sections:

- Annex 2 Mitigation, Category 6.1 - Energy and resource efficiency and demand management in water supply
- Annex 3 Environment, Category 1 - Sustainable use and protection of water and marine resources[5];
- Annex 4 Adaptation - Activities that enable adaptation.

The expected green outcomes of the transaction are:

- Environment: The project will enhance the municipal water infrastructure by improving drinking water supply, wastewater collection and stormwater

[4]The project passed NTN approval before 1 April 2025, therefore the methodology applicable at the time of the concept review approval is used for green finance determination.
[5] Expansion and efficiency of drinking water supply (Environment) in the new Methodology (2025)

management systems. The earthquake damage led to critical issues such as increased water loss, wastewater seepage, infiltration of water and stormwater into the wastewater collection network resulting in insufficient nutrient loading and process problems in the WWTP. Improved wastewater collection will enable the city's central wastewater treatment plant to operate at design parameters meeting EU standards. The stormwater network will be separated, allowing stormwater to be safely directed into receiving water bodies, supporting sustainable water resource management. The water and wastewater systems have both been significantly damaged by the earthquake, resulting in leakages, contamination risks, and frequent service disruptions. In their current condition, neither system can reliably provide safe drinking water nor compliant wastewater collection and conveyance. Along with the rehabilitation of the existing water and wastewater network, **approximately 82,826 people will be connected to the drinking water system, and 47,390 people will be connected to the sewer system.**

- Climate adaptation: The project enhances climate resilience by addressing increasing water stress and reducing flood risks. It improves stormwater management by enabling higher discharge capacity during extreme precipitation without mixing with wastewater, thus, enhances dilution and improves surface water quality. Additionally, separating stormwater and wastewater collection increases the efficiency and resilience of the wastewater treatment system, reducing urban flooding risks. The rehabilitation of the city's water network aims to reduce the non-revenue water ratio from 55 per cent to 25 per cent. **The Project will lead to a significant reduction of physical water losses** [REDACTED]**.** The new water reservoirs are also directly responding to the drought/increased water stress risk by providing more water storage. These measures contribute to key climate resilience outcomes, including increased water availability, reduced weather-related disruption, and minimized weather-related damage.
- Climate mitigation: Reduction of non-revenue water will decrease the total volume of water that needs to be pumped through the system, resulting in lower electricity consumption. While the project introduces one additional pump for the new reservoirs, the efficiency gains from reduced water losses outweigh the incremental energy demand. [REDACTED]

[REDACTED]

ANNEX 4 – PROJECT IMPLEMENTATION

Procurement classification – *Public*

[REDACTED]

The Implementation Agency is currently managing two EQR projects, namely EQR: Adıyaman Wastewater Network Project and EQR: Osmaniye Wastewater Treatment Project, both requiring application of the Bank's Procurement Policies and Rules (PPR), with procurement activities ongoing. In addition, the Implementation Agency has significant experience in applying procurement rules of other IFIs, including the EIB and the World Bank, as well as selected bilateral financiers (e.g. AFD, JICA).

ILBANK has extensive experience in preparing, tendering, and managing infrastructure projects in cooperation with local municipalities and is therefore well placed to provide the technical expertise and staffing required to tender and implement the project. To further strengthen procurement capacity, a TC-funded advance procurement consultant with specific experience in applying the Bank's PPR has been mobilised to support ILBANK during tender preparation and evaluation, ensuring robust and successful procurement across all project components.

Furthermore, an Implementation and Monitoring Support Consultant will be engaged to assist during project and contract implementation, including ESAP monitoring, and an independent Construction Supervision Consultant will be appointed to act as the Project Engineer.

Contracts risk assessment *Low*

The Project will involve construction contracts for water supply, wastewater networks, and stormwater collection systems, based on the available detailed designs prepared by ILBANK. These contracts will be implemented under the FIDIC Red Book, which is appropriate for works designed by the Employer.

ILBANK has extensive experience in procuring and managing similar infrastructure contracts using the FIDIC Red Book and has a strong track record in the delivery of water and wastewater systems. While ILBANK has more limited experience with the EBRD Standard Procurement Documents, this risk is mitigated through the engagement of internationally experienced consultants, who will provide support throughout the procurement process

Project implementation arrangements:

For the implementation of the Project, a Project Implementation Unit (PIU) will be established, comprising experts from ILBANK (both Headquarters and the relevant Regional Office) and MASKI. The PIU will be responsible for the procurement of goods, works, and services, as well as for contract administration under the Project.

The PIU will be further supported by internationally experienced consultants, providing technical and procurement assistance as required

Procurement arrangements:

The Project is classified as a public sector operation for procurement purposes. The planned contracts financed from the proceeds of EBRD loan will be procured using open competitive tendering procedures in accordance with Section 3 of the PPR, version 15 May 2022, and the Bank's Standard Procurement Documents will be used.

[REDACTED]

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 PPR.

[REDACTED]

[REDACTED]