DOCUMENT OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 7 May 2025[1]

TÜRKIYE

EQR: ADIYAMAN WASTEWATER NETWORK PROJECT

[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

ABBREVIATIONS

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

CURRENCY CONVERSIONS

EUR 1 = TRY 40.9326 (as of 26 March 2025)

EUR / TRY[2]	**2021**	**2022**	**2023**	**2024**
EoP	14.6823	19.9349	32.5739	36.7429
Average	10.4408	17.3642	25.6852	35.4779

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

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Republic of Türkiye ("Borrower"), represented by the Ministry of Treasury and Finance ("MoTF"), for the final beneficiary of Adiyaman Municipality (the "Municipality"), are submitted for consideration by the Board of Directors. The implementing 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 of up to EUR 95 million to finance the construction of up to 355.7 km of a wastewater network, up to 76.9 km of a stormwater network, and their ancillary facilities, and construction supervision services, in the city of Adiyaman, Türkiye (the "Project"). Adiyaman 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 enhance municipal water infrastructure by improving wastewater collection and stormwater management, restoring treatment efficiency, reducing flood risks, and supporting sustainable water resource management, while also contributing to climate resilience through increased water availability, improved surface water quality, and reduced weather-related disruptions in Adiyaman, and (ii) the **Resilient** quality, as the Project will strengthen the Adiyaman's operational resilience from natural disasters via promoting greater disaster preparedness and climate risk management. The Project is 100 per cent GET. The Project is gender additional through the introduction by Adiyaman Municipality for the first time of sex-disaggregated data collection and reporting to support gender-responsive water and wastewater service delivery as well as women's higher participation in water-related employment in Adiyaman.

All 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 2.1 , 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: Adiyaman Wastewater Network Project – DTM 55646	
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 final beneficiary of Adiyaman Municipality (the "**Municipality**" and "**Final Beneficiary**"), to finance the construction of up to 355.7 km of a wastewater network, up to 76.9 km of a stormwater network, and their ancillary facilities, and construction supervision services, in Adiyaman (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**") of the Republic of Türkiye.
Client	The Borrower is the Republic of Türkiye, represented by the MoTF. ILBANK has been authorised to oversee and ensure implementation of infrastructure, construction and superstructure projects in the earthquake region and the Municipality will be the final beneficiary of the loan.
Main Elements of the Proposal	Transition impact **Primary Quality - Green** is derived from enhancing the efficiency and climate resilience of the wastewater infrastructure by replacing the existing combined system with separate wastewater and stormwater collection networks, which will ultimately improve treatment efficiency, support sustainable water resource management, increase water availability, minimize weather-related disruptions, and reduce weather-induced damage in a vulnerable region. The Project qualifies as 100% GET. **Secondary Quality - Resilient** is derived from strengthening the Municipality's operational resilience from natural disasters via promoting greater disaster preparedness and climate risk management. The Municipality 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 the Municipality 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 as well as women's participation in water-related employment. **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's reporting 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 Approach 2.1, and the Strategy for the Promotion of Gender Equality.

ADDITIONAL SUMMARY TERMS FACTSHEET

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

EBRD Transaction	A sovereign loan of up to EUR 95 million to the Borrower, represented by the MoTF. The implementing agency will be ILBANK as it has been authorised to implement infrastructure, construction and superstructure projects in the earthquake region. The loan will finance the construction of up to 355.7 km of the wastewater network, up to 76.9 km of a stormwater network, and their ancillary facilities, and construction supervision services, in Adiyaman for the benefit of the Municipality.
Existing Exposure	Sovereign exposure: EUR 359 million [REDACTED] under Gaziantep Duzbag Water Project, Ispartakule - Cerkezkoy Railway Line Project, and Türkiye COVID-19 Equipment Emergency Response. Indirect sovereign exposure: EUR 747 million [REDACTED] under the 8 Hospital PPP Projects (EUR 476 million), the Türkiye Eurasia Tunnel Project (EUR 76 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 construction of up to 355.7 km of the wastewater network, up to 76.9 km of stormwater network, and their ancillary facilities, and 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. • Adiyaman Municipality, as the final 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 Adiyaman Municipality.
Associated Donor Funded TC and Blended Concessional Finance	**Pre-signing:** **TC 1: Feasibility Study and Environmental & Social Due Diligence** for assessment and development of the Priority Investment Plan, including procurement and contract strategy; assessment of compliance with the EBRD Environmental and Social Policy and PRs, 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 125,000 and financed by SSF. **TC 2: Advance Procurement Support**: to include consultancy support to ILBANK to ensure compliance with the EBRD PP&R. The cost of the assignment was EUR 74,900 and funded by the EBRD SSF Work Plan 2023-2024. **Post-signing:** **TC 3: Implementation & Monitoring Support**: Monitoring Services to support with monitoring of the project implementation and with the reporting requirements, including support on the implementation of the ESAP. The estimated cost of the assignment is up to EUR 350,000 and funded by the SSF Work Plan 2023-2024. **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) funded by the EBRD SSF. ***Cost sharing:*** In line with the Bank's client contributions policy dated 1 January 2021, cash contributions will not be provided, considering the client's public ownership and its inability to make a financial contribution [REDACTED]

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Adiyaman, located in southeastern part of Türkiye, is a city with 605,000 inhabitants. Adiyaman is the one of the most severely affected cities from the 6 February 2023 earthquakes, which significantly impacted 11 provinces in southeast Türkiye. The earthquakes claimed the lives of more than 50,000 people and resulted in damages around USD 104 billion or equivalent to 11 per cent of Türkiye's GDP.

The earthquakes caused severe damage to the water distribution, wastewater, and stormwater systems in Adiyaman's Central District. This resulted in high water losses in the drinking water supply network along with contamination risks, coupled with high infiltration into the wastewater collection network caused wastewater treatment inefficiencies. The partially damaged WWTP has been under considerable strain as municipal services struggled to manage. The city's wastewater and stormwater infrastructure, which was built in the early 1980s as a combined network, is heavily damaged by the earthquakes, and certain sections became unusable. The current situation exert pressure on the city's wastewater treatment operations and collectively pose substantial risks to public health, well-being, and economic activity.

The Project will support construction of up to 355.7 km of a wastewater network and up to 76.9 km of a stormwater network. It will enable (i) the efficient collection and conveyance of municipal wastewater to the WWTP, which is ultimately improving the treated effluent quality, and (ii) the separation of the stormwater network, ensuring safe discharge into natural water systems, promoting sustainable water resource management, and reducing urban flood risks. 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.

The Project plays a vital role in improving the well-being of communities severely affected by the earthquakes, directly responding to their most urgent needs through the reconstruction and modernization of critical water infrastructure. By developing new networks, along with enhanced stormwater management at the outfalls, the Project will enhance sanitation, mitigate flood risks, and protect natural water bodies—significantly improving the quality of life for local residents. While primarily focused on wastewater and stormwater rehabilitation, it is an essential part of broader recovery efforts. Therefore, the Bank's financing is critical to support the local community through the loans for the benefit of the local municipality, which will ultimately operate these facilities and bring improved services to the earthquake victims and other residents of Adiyaman. Complementary initiatives supported by other IFIs will restore the entire water infrastructure, ensuring a coordinated and comprehensive response that prioritizes the needs of those most affected.

Addressing urgent infrastructure needs has been a priority for the Turkish Government as part of an earthquake response programme for the past 2 years. Some of the urgent works that enabled local population to continue living in the region has been completed with state funds. ILBANK and MoEUCC have carried a detailed assessment of the water sector's critical infrastructure needs in the earthquake region and came up with a list of EUR 2.0 billion in urgent investment needs in the municipal infrastructure in the EQR region. [REDACTED] Given ILBANK's central role in identifying the needs and its technical capacity, ILBANK has been tasked with the Additional Article 7 of Law No 4749 to act as implementation and/or

supervision agent for infrastructure, construction and superstructure projects in the earthquake region.

[REDACTED]

The Project is consistent with the Bank's Country 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 Approach 2.1, 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 enhancing the reliability and quality of essential wastewater services, which have been disrupted by earthquakes. The earthquake caused substantial damage to the wastewater collection network, leading to public health and environmental issues due to leaks. The Project will rehabilitate the wastewater network, restore its integrity, and enable the existing WWTP to function as designed and improve overall treatment efficiency. Additionally, a separate stormwater network will be constructed to ensure safe discharge into receiving water bodies, supporting sustainable water resource management. Grit chambers and waste collection nets will be installed to prevent pollutants from entering waterways. The earthquakes also impacted the WWTP, forcing the anaerobic digester and its Combined Heat and Power ("**CHP**") unit offline. Before the earthquakes, the CHP unit produced renewable energy, [REDACTED]. While structural repairs will be completed before Project implementation, the plant is unlikely to receive wastewater at design parameters due to dilution caused by the damaged collection system. This will prevent the anaerobic digestion unit from operating efficiently. By rehabilitating the wastewater network and separating the stormwater collection system, the Project will restore wastewater quality, enabling the WWTP to reactivate the anaerobic sludge digester and CHP unit, thereby resuming renewable energy generation and emissions savings. The Project will also enhance Adiyaman's stormwater and wastewater network's resilience to climate change by increasing the stormwater system's capacity to handle extreme precipitation, and ensuring discharge into receiving water bodies without being mixed with wastewater, reducing the urban flood risk. Additionally, a separate wastewater collection system will improve network efficiency and strengthen the treatment process. These measures will contribute to the increased water availability, reduced weather-related disruptions, and minimized damage.

Secondary Quality: Resilient

Obj. No.	Objective	Details
2.1	*The project supports the Resilient quality [REDACTED]*	The Project will contribute to the Resilient transition quality through a dedicated [REDACTED] capacity building programme to the Municipality, including its water and sewerage directorate. This programme will focus on bolstering the crisis response, asset management, and non-financial risk management. In the aftermath of the earthquakes, the Municipality experienced significant challenges due to direct damage to its infrastructure, which severely compromised its ability to provide essential services to residents. The municipal employees will receive certification upon successful participation and completion of the capacity-building and training programme, which will encompass three main 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 environmental, social, and governance (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 also TC design for the capacity building programme in close consultation with other beneficiaries.

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 construction of vital wastewater network 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 the Municipality 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 the Municipality. Adiyaman Municipality 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. The Municipality will commit to tracking [REDACTED]indicators and reporting annually to the Bank. Such data driven, evidence-based approach will guide the Municipality's gender-responsive HR policies and practices in relation to skills training and employment to increase women's participation in the Municipality. It will also support the Municipality 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 Adiyaman.
Knowledge, innovation, and capacity building 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.	The Bank has relevant sector knowledge and will mobilise TC funding to support implementation of the Project and capacity building programme for beneficiaries. The Project will be procured under 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 the Municipality. [REDACTED] All three major rating agencies have upgraded Türkiye's credit rating to B1/BB-/BB- level with positive/stable outlook in 2024.
Implementation risk	Medium/ Medium	The Project will be implemented by ILBANK as the contracting authority. ILBANK is [REDACTED] experienced in implementing IFI financed projects as ILBANK has been the intermediary of IFI loans (such as World Bank, EIB, AFD etc.) for over 10 years. To mitigate the implementation risk, the ILBANK will be supported by (i) an Advance Procurement consultant and (ii) an Implementation & Monitoring Support consultant to assist with project implementation monitoring (including the delivery of ESAP) and reporting. ILBANK has a dedicated team which supervise the implementation of the project financed by IFIs. [REDACTED] The EBRD PP&R will apply, and the Bank (via the Project team) will be closely involved in the key procurement and implementation decisions while sharing its experience and expertise on how to best prevent and address 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.

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 Adiyaman Municipality	- Completion according to the timeline and within the budget - Completion of the Capacity Building for EQR Municipalities in Türkiye for Adiyaman Municipality	[REDACTED]

Transition Impact Monitoring Indicators

Primary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Wastewater treated (m3/year)	Increased flow of wastewater reaching the treatment system through the wastewater collection network rehabilitation hence increase in treated effluent quantity as well as increased treatment efficiency due to rehabilitation of the wastewater network and separation of the stormwater network increasing the treated effluent quality.	[REDACTED]	[REDACTED]	[REDACTED]
1.2	New or updated GET technology or product leading to renewable energy	The project will prevent the dilution of collected wastewater by rehabilitating the wastewater network and	[REDACTED]	[REDACTED]	[REDACTED]

	generation introduced	separating the stormwater collection system. This will allow the WWTP to restart the anaerobic sludge digester and CHP unit, restoring renewable energy generation and reducing GHG emissions.			
1.3	CO2e emissions reduced (tonnes/year)	By rehabilitating the wastewater network and separating stormwater flows, the Project will restore wastewater quality, allowing the digester and CHP unit to resume operation. This is expected to result [REDACTED] in Scope 3 emission reductions.	[REDACTED]	[REDACTED]	[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 the Adiyaman Municipality.	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Practices of the relevant stakeholder improved	Participation of [REDACTED] employees from Adiyaman Municipality in	[REDACTED]	[REDACTED]	[REDACTED]

	(operational) [Donor TC]	Türkiye Capacity Building For EQR Municipalities – Module I: Crisis Response			
2.3	Practices of the relevant stakeholder improved (operational) [Donor TC]	Participation of [REDACTED] employees from Adiyaman Municipality in Türkiye Capacity Building For EQR Municipalities – Module II: Asset Management Improvement Programme	[REDACTED]	[REDACTED]	[REDACTED]
2.4	Practices of the relevant stakeholder improved (operational) [Donor TC]	Participation of [REDACTED] employees from Adiyaman Municipality in Türkiye Capacity Building For EQR Municipalities – Module III: Non-financial Risk Management	[REDACTED]	[REDACTED]	[REDACTED]
2.5	Number of individuals enhancing their skills as a result of training [Donor TC]	The municipal employees will receive certification upon successful participation and completion of the capacity-building and training programme, Türkiye Capacity Building For EQR Municipalities.	[REDACTED]	[REDACTED]	[REDACTED]
2.6	Number of individuals (local population) with improved	Number of beneficiaries with access to new/improved water and wastewater	[REDACTED]	[REDACTED]	[REDACTED]

	access to wastewater services	services, services upon project completion in the project area.			

Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date
Gender SMART	Practices of the relevant stakeholder improved (data collection, reporting)	Adiyaman Municipality 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 [REDACTED] indicators which will guide the Client's HR policies and water and wastewater service delivery.	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER: THE REPUBLIC OF TÜRKIYE (REPRESENTED BY MOTF)

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 is Mehmet Simsek, serving in office since 4 June 2023. Mehmet Simsek previously served as the Deputy Prime Minister for Economic and Financial Affairs (2015-2018), the Minister of Finance (2009-2015), and as the Minister of Economy (2007-2009). [REDACTED]

3.2 IMPLEMENTATION AGENCY: ILBANK

ILBANK, is a development and investment bank owned by municipalities and provincial special administrations. It serves a total of 1,473 local government units, including 1,400 municipalities, 51 special provincial administrations and 30 water and sewage administrations, through its head office in Ankara, Türkiye, and 17 regional directorates. As of the end of 2024, ILBANK employed 2,750 people.

ILBANK's primary function is to provide financing to local governments for urban infrastructure projects. Its other activities include project development, technical cooperation, allocation of national budget funds to local governments, and resource development. In addition to its own funds, ILBANK collaborates with domestic and international financial institutions, channelling raised funds to local governments for urban infrastructure financing.

The decision-making body of ILBANK is the Board of Directors, consists of seven members, including the General Manager. The Board of Directors is responsible to the general assembly, who examines the annual activity report, audit committee reports, balance sheets and profit-loss accounts, and decides on the discharge of the Board of Directors and auditors and the cancellation of ILBANK's receivables that are deemed impossible to collect. ILBANK also has an Audit Board consisting of three members, two of which are appointed by the MoEUCC, and one by the MoTF. Auditors must meet the requirements for Board members. Auditors serve in accordance with the relevant provisions of Law No 6762.

[REDACTED]

ILBANK has been authorised to implement or supervise infrastructure, construction and superstructure projects in the earthquake region to support Türkiye's relief efforts. ILBANK is collaborating jointly with [REDACTED] other IFIs on critical infrastructure projects under the Türkiye's earthquake response programme [REDACTED]. ILBANK has already been channelling IFIs funds [REDACTED] for over a decade to support Turkish municipalities' infrastructure needs. Hence ILBANK will act as the implementation agent of the Project.

3.3 FINAL BENEFICIARY: ADIYAMAN MUNICIPALITY

Adiyaman Municipality, as the Final Beneficiary, is responsible for providing water distribution and sewage services in the provincial boundaries of Adiyaman. The Mayor of Adiyaman Municipality is elected upon general elections in Türkiye.

Adiyaman Municipality serves a population of c. 230,000 in its Central District with a service area of 36 km^2. Adiyaman Municipality works in cooperation with several international organisations and financial institutions such as the EU. The existing WWTP was funded by EU grants and JICA.

4. MARKET CONTEXT

There are 1,400 municipalities in Türkiye responsible for providing municipal services such as water supply, wastewater, transportation, road construction, and zoning plans. These municipalities are categorised as follows: (i) Metropolitan Municipalities, (ii) City Municipalities, (iii) District Municipalities within a Metropolitan Municipal Area, (iv) District Municipalities, and (v) Town Municipalities. Each municipality is headed by a mayor and a municipal council, both elected every five years, and operates under an autonomous budget. Audits are conducted on a random basis by the Ministry of Interior and the Court of Accounts.

The legal and administrative framework for urban drinking water and wastewater services in Türkiye is highly centralised. In general, municipalities are responsible for providing both drinking water and wastewater services while the central government is responsible for larger scale strategic capital investments, such as major irrigation projects, flood control, swamp reclamation, and hydropower development. Municipal water supply and wastewater services are operated by municipality-owned water utilities, which function autonomously under the municipal laws.

Municipalities and water utilities typically adjust tariffs annually according to a formula stated in the law (all cost-plus a profit margin), though some administrations implement monthly adjustments based on inflation. As a result, tariffs can vary significantly across cities. Water and wastewater administrations determine tariffs, which must be approved by a General Assembly composed of the local authorities' representatives.

[REDACTED] Discounted tariffs are applied as per the regulations: (i) certain groups, such as families of martyrs, veterans, or disabled individuals, as well as those receiving social assistance, benefit from lower tariffs, and (ii) different tariff levels may apply to districts, town municipalities, and rural areas. Tariff levels should be determined based on the "user pays" and "polluter pays" principles as well as social affordability considerations.

The level of cost recovery through tariffs in Turkish cities is relatively high compared to other developing countries. However, there is still a reliance on grants and subsidized loans from external partners to meet investment needs, particularly in the area of wastewater treatment to comply with EU directives.

According to Türkiye's water allocation regulations, water distribution follows this priority order: (i) drinking and municipal water consumption, (ii) environmental flow requirements, (iii) agriculture and aquaculture use, (iv) energy and industrial needs, and (v) trade, tourism and mining sectors.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS OF THE BORROWER

[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 wastewater network connections damaged in the earthquake in 2023. An independent E&S due diligence undertaken as part of the feasibility study for the project showed that E&S impacts are site specific, limited and can be readily addressed. An Environmental and Social Action Plan ("ESAP") was agreed with ILBANK to ensure that the Project is constructed and operated in line with the EBRD's PRs. The ESDD included a review of current wastewater treatment operations, an assessment of potential Project E&S impacts, a social and gender assessment, and a review of ILBANK's E&S management system and capacities. The ESDD identified potential E&S impacts and defined mitigation and management measures. A project implementation support, which includes E&S, will be mobilised and is expected to support the PIU for the satisfactory implementation of the ESAP, including permitting requirements. Project tender documents will include requirements to appropriately manage E&S risks and impacts associated with the Project. A post-signing TC to help the client in building their E&S capacity and implement the ESAPs will be provided.

The Project mainly consists of reinstatement and reconstruction of the existing storm water pipes and sewage line corridors. 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 Adiyaman city, thus contributing to the prevention of ground and watercourses pollution and improvement of public health. The improved network system will enhance the efficiency and climate resilience of the wastewater infrastructure by replacing the existing combined system with separate 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 with minimal additional state land acquisition. 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. 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 noise and vibration, dust control, site reinstatement, worker and community health and safety, and emergency response. The Project will connect pipes network to the existing WWTP that is already operating in accordance with EU standards, with a planned 2nd stage planned to be constructed to increase wastewater treatment capacity to accommodate future projected flows and was thus considered as associated facility to the Project and reviewed for alignment with PRs' objectives. 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, focussing 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. In order to meet the Bank's requirements for stakeholder engagement and information disclosure, a Stakeholder Engagement Plan and a Non-Technical Summary for the Project were developed and will be disclosed by both IBLANK and the Adiyaman municipality.

The Project is consistent with the GET approach. It will lead to an increase in wastewater treated to EU standards, a decrease in wastewater discharged into local water bodies, and climate adaptation benefits in the form of increased water availability, reduced weather-related disruption, and less weather-related damages. The Project will also enable the reactivation of a CHP unit at a wastewater treatment plan, thus reducing greenhouse gas emissions. The GET share is 100 per cent. The Project is considered aligned with the mitigation objectives of the Paris Agreement, as "water supply systems" feature on the joint MDB list of Paris-aligned projects. The Project is considered aligned with the adaptation objectives of the Paris Agreement as the climate resilience measures integrated into the project design have addressed identified vulnerabilities related to extreme heat events, drought, extreme rainfall events, and floods.

6.2 INTEGRITY

Integrity due diligence has been undertaken on the Borrower, ILBANK (as the implementation agency), Adiyaman Municipality (as the Final 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

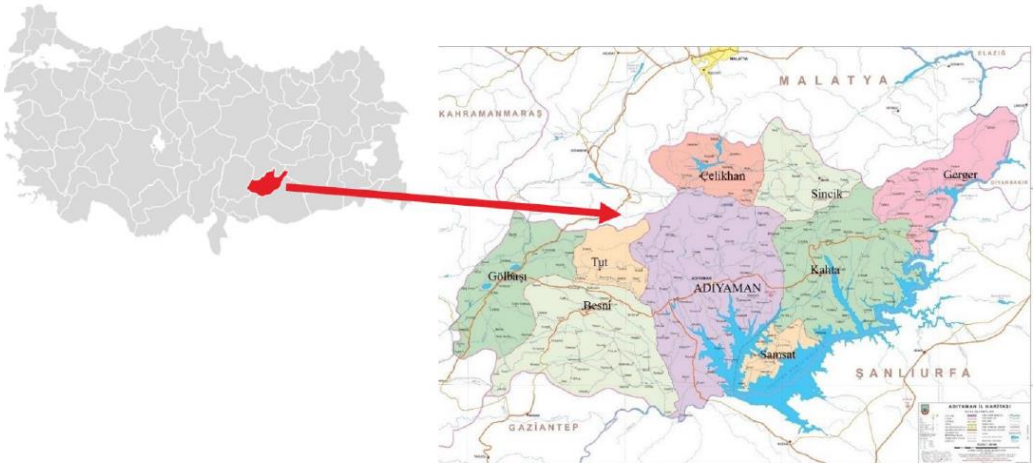
Adıyaman, a city located in southeastern Türkiye, relies on various surface and groundwater sources for its water supply. Currently, water is provided to the city following disinfection but without any additional treatment. The city's drinking water distribution network is outdated and, even before the February 2023 earthquakes, suffered from significant water losses due to leaks and overflows. The earthquakes exacerbated these issues, causing breakages and damage to major transmission lines. As a result, physical water losses have increased to 43 per cent, while non-revenue water (NRW) has reached 54 per cent. These high levels of physical losses underscore a critical vulnerability within the water supply infrastructure, heightening risks associated with both climatic and seismic events. Addressing these inefficiencies is imperative to ensure the long-term reliability and quality of the city's water infrastructure.

The city's wastewater and stormwater infrastructure has also faced challenges. In the early 1980s, a combined wastewater and stormwater network was constructed. Over time, a separate stormwater network was gradually developed by Adıyaman Municipality to mitigate flooding in certain areas during heavy rainfall. However, the overall system has not undergone a comprehensive evaluation, nor have permanent solutions been implemented. As a result, the central district of Adıyaman continues to function largely under a combined wastewater and stormwater system. Currently, the wastewater network in the central district extends approximately 500 km, whereas the stormwater network covers around 70 km. The lack of systematic assessment and long-term planning underscores the need for strategic investments to enhance the resilience and effectiveness of the city’s water management infrastructure. The wastewater collection network transports wastewater to the existing WWTP of Adıyaman. The Adıyaman WWTP was constructed with co-financing from the European Union and Türkiye. The plant began operations in 2015 but sustained structural damage during the earthquake, leading to closure of some treatment units for repairs.

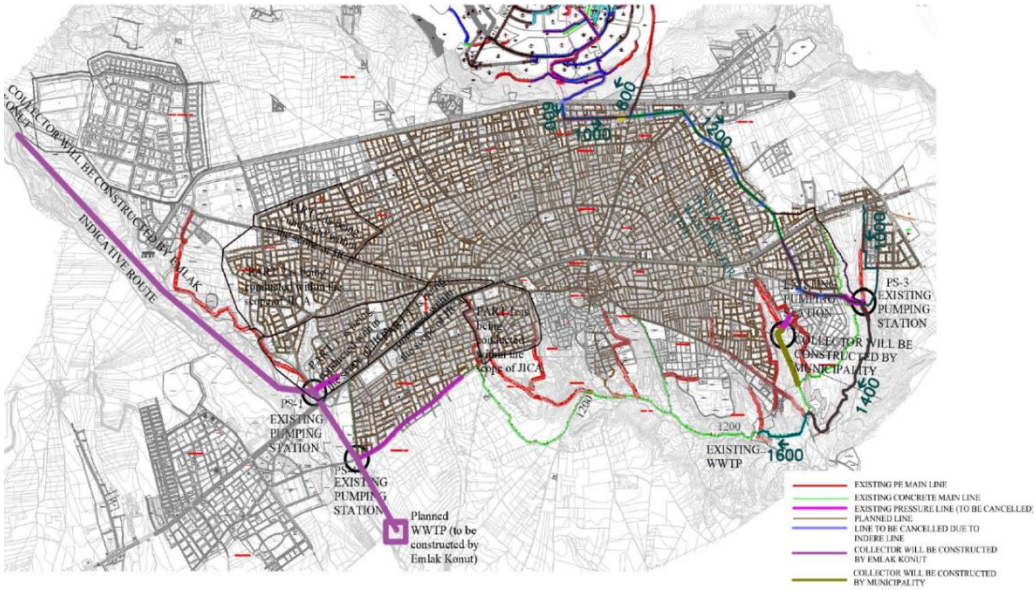
[REDACTED] The Project addresses the public health issues and environmental challenges by financing the rehabilitation and reconstruction of the wastewater collection network and wastewater management system of Adiyaman Central District. The new system is designed as dual system, which separately collects wastewater and stormwater. This renewed infrastructure will facilitate the efficient collection of municipal wastewater and its conveyance to the municipal WWTP. Furthermore, the Project will rehabilitate and expand the stormwater collection network, ensuring that it does not come into contact with urban wastewater within the Project Area. This separation prevents the dilution of collected wastewater, thereby enhancing digester efficiency at the WWTP and increasing energy production, while also contributing to the creation of a flood-resilient city.

The Project will minimise stormwater outfall impact on the receiving water body by constructing grit chambers and solid waste removal nets. The Feasibility Study also indicated the drinking water supply system would benefit from an automatic chlorination system in the reservoirs, which is included in the Priority Investment Plan.

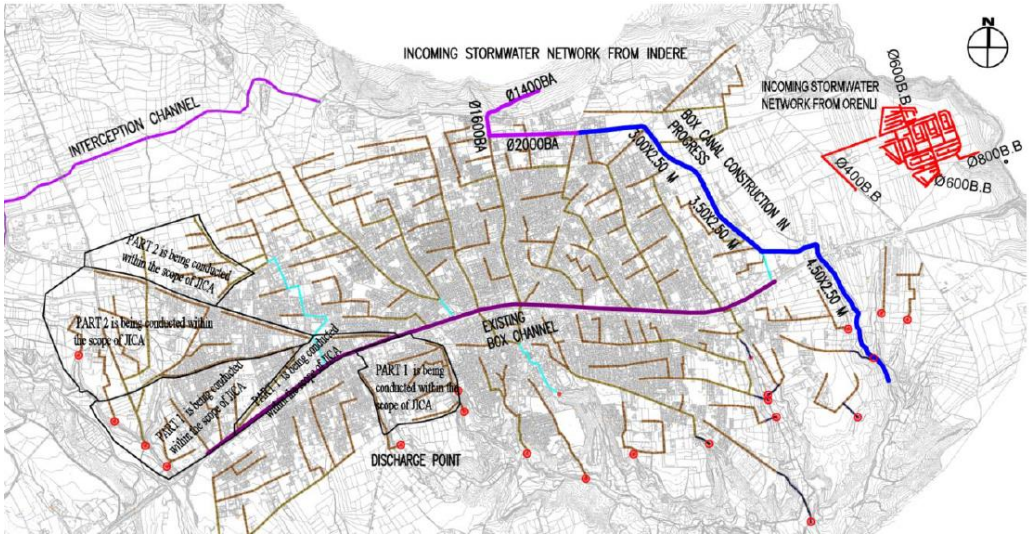
[REDACTED]



Picture 1: Türkiye and Adiyaman Map with Administrative Boundaries and Districts



Picture 2 - Planned wastewater projects



Picture 3- Planned stormwater system

ANNEX 2 - TRANSITION IMPACT SCORING CHART

[REDACTED]

ANNEX 3 – GREEN ASSESSMENTS

SUMMARY

- The Project includes the construction of up to 355.7 km sewer network and 76.9 km stormwater network in the city of Adiyaman.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed **100 per cent GET.**
- 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 Project's activity is included in the 'MDBs' aligned list' under the category *"Water and sewage systems"*.
- The Project is consistent with the substantial contribution criteria of the EU Taxonomy by contributing to climate change adaptation (Construction, extension and operation of wastewater collection and treatment)
- There are no activities included in the 'non-aligned list'.

Conclusion: The Project is assessed as aligned with the mitigation goals of Paris Agreement (**BB1 aligned**).

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.

GET ATTRIBUTION

- The Project is attributed climate and environment GET finance.
- The expected impacts of the transaction are:
    - Environment - Sustainable use and protection of water and marine resources: The Project will enhance the municipal water infrastructure by improving wastewater collection and stormwater management systems. The existing WWTP is not able to operate at design capacity because the wastewater collection system's compromised integrity has led to excessive dilution of incoming wastewater, preventing the anaerobic digestion unit from functioning due to insufficient biomass and causing various technical issues at the WWTP. By rehabilitating the network and restoring its integrity, the Project will ensure coherent operations of the plant, improving overall treatment efficiency, thus, effluent treated in line with EU Directives will increase by 85 per cent. The stormwater network will be separated, allowing stormwater to be safely directed into receiving water bodies, supporting sustainable water resource management. Additionally, grit chambers and waste collection nets to be installed at the stormwater network outfall structures will prevent pollutants from entering natural waterways.
    - Climate change mitigation: The primary climate change mitigation benefit of the Project is the restoration of the wastewater treatment plant`s (WWTP) performance, enabling renewable energy generation in the Combined Heat and Power (CHP) unit. [REDACTED] However, due to severe damage to the wastewater collection system designed as a combined system, the plant has been receiving highly diluted wastewater, making the operation of the anaerobic digester (AD) ineffective. Although structural repairs to the WWTP will be completed before the Project, the plant cannot function at design parameters without sufficient biomass for digestion. By rehabilitating the wastewater network and separating stormwater flows, the Project will restore wastewater quality, allowing the digester and CHP unit to resume operation. This is expected to result in [REDACTED] **Scope 3 emission reductions.**

- Climate change 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. These measures contribute to key climate resilience outcomes, including increased water availability, reduced weather-related disruption, and minimized weather-related damage. The feasibility study highlights a positive trend in **water availability [REDACTED]** through improved wastewater treatment. Basement flooding in low-lying areas of the city's central district occurs approximately four times per year. Each event is estimated to affect around 75 households, resulting in a total of 300 households impacted annually, with an average annual damage of 280 Euros per household. The Project's stormwater collection network is designed to mitigate flooding, particularly in low-lying areas. It is expected to reduce 90 per cent of annual flood-related damages [REDACTED].

*Conclusion: The Project is **100 per cent GET***

[REDACTED]

ANNEX 4 - PROJECT IMPLEMENTATION

Procurement classification – *Public*

[REDACTED]

The Implementing Agency has no prior experience in the application of the Bank's PPR, however has significant experience in following other IFI's procurement rules, such as EIB and World Bank and some bilateral (AFD, JICA). Experienced in preparing, tendering and managing infrastructure projects in cooperation with local municipalities, ILBANK can provide the necessary expertise and manpower needed to tender and implement the wastewater and stormwater network rehabilitation project in Adıyaman. In order to address the gap in the experience in working in accordance with EBRD PPR, a TC funded advance procurement consultant has been mobilised to assist ILBANK with the tender preparation and evaluation of bids to ensure a successful tender process under each project component.
Furthermore, an Implementation and Monitoring Support consultant will be hired to assist during project/contracts implementation, including ESAP monitoring.

[REDACTED]

Project implementation arrangements:
For the implementation of the Project, a Project Implementation Unit (PIU) will be established, comprising experts from both ILBANK (potentially from the Headquarters and a Regional Office) and the Municipality, which will be responsible for the procurement of goods, works and services and contract administration under the Project.
The PIU will be further supported by internationally experienced consultants[REDACTED] .

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 the 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]