Mr. Levent Eren
Acting Deputy Director General
Directorate General of Foreign Economic Relations
Undersecretariat of Treasury
Inonu Bulvari 36
Emek, Ankara
Republic of Turkey

Re: Grant Agreement for
Turkey - Partnership for Market Readiness (PMR)
Trust Fund Implementation
Grant No. TF015591

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Turkey ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by the contributors ("Contributors") under the Partnership for Market Readiness Multi-Donor Trust Fund, proposes to extend to the Recipient a Grant in an amount not to exceed three million United States Dollars (US$3,000,000) on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the activities described in the Annex ("Grant Activities").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Contributors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Contributors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds. Accordingly, in the event that any Contributor cancels or fails to pay any contributions under the trust fund to the World Bank for any reason, or that as a result of currency exchange variations the amount of funds available in the trust fund is insufficient for the purposes of the Grant, the Recipient shall bear the risk of such funding shortfall and the World Bank shall not have any liability whatsoever to the Recipient or to any third parties in respect of any expenditures or liabilities incurred by the Recipient or any third parties in connection with this Agreement which exceed the amount of funds made available to the World Bank by the Contributors for the purposes of the Grant.
The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Grant Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(acting as administrator of the Partnership for Market Readiness Multi-Donor Trust Fund)

Country Director
Turkey Country Unit
Europe and Central Asia Region

AGREED:

REPUBLIC OF TURKEY

By ____________________________
Authorized Representative

Name ___________ LEVENT ERER ___________
Title ___________________________
Date: ____________________________

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Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.**

(a) The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions"), with the modifications set forth in paragraphs (b) and (c) below, constitute an integral part of this Agreement.

(b) The definition of the term “Project” in paragraph 18 of the Appendix to the Standard Conditions is replaced to read as follows, and wherever used in the Standard Conditions, the term “Project” is replaced by the term “Grant Activities”:

“18. ‘Grant Activities’ means the activities described in the Grant Agreement in relation to the Recipient’s implementation of the Market Readiness Proposal, for which the Grant is made.”

(c) The following terms and their definitions shall be added immediately after paragraph 26 of the Appendix to the Standard Conditions:

“27. “CCAMD MEU” means the Climate Change and Air Management Department of the Ministry of Environment and Urbanization, and includes any successor or successors thereto.
28. “CBCC” means the Coordination Board on Climate Change, the inter-ministerial coordination board chaired by the Ministry of Environment and Urbanization.
29. “Market Readiness Proposal (MRP)” means a proposal to be submitted by an Implementing Country Participant, which sets forth plan for putting in place market readiness components.
30. “PMR Governance Framework” means the constituting document of the PMR, adopted at the organizational meeting of the PMR, as may be amended from time to time in accordance with its terms.”

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the PMR Governance Framework, or in this Agreement.

Article II
Execution of Grant Activities

2.01. **Objectives and Description.** The objective of the Grant is to assist the Recipient to implement a greenhouse gas Monitoring, Reporting, and Verification ("MRV") pilot in the electricity sector, based on Turkey’s MRV regulation, and to provide analytical information for the establishment of a carbon market in Turkey.

The Grant Activities consist of the following Parts:
Part 1: Piloting the use of the MRV procedures within the electricity sector, and with other willing companies and stakeholders (such as accreditation bodies and verifiers) in other sectors including preparation of monitoring plans for the electricity sector, collection of data by the volunteer installations, and reporting and verification of such data, to identify potential problems in a timely fashion.

Part 2: Conducting analytical studies to inform decision making on the use of market based instrument(s) (MBI), including, inter alia, (i) a study on use of an emission trading scheme for the electricity sector; (ii) a study on selection of MBIs and modeling for sectors covered and not covered by the MRV regulation; (iii) a study on Greenhouse Gas (GHG) market modeling for selected sectors covered and not covered by the MRV regulation; and (iv) a synthesis report of the above mentioned studies for consideration by the CBCC and policy makers.

Part 3: Carrying out stakeholder training, consultation/engagement and public awareness activities, including: (i) conferences and workshops to support the activities under Parts 1 and 2; (ii) consultation meetings with stakeholders; and (iii) public awareness activities (media, high level public/private meetings, etc.).

Part 4: Establishment of a project management unit to coordinate and support implementation of MRV and MBI activities.

2.02. Execution Generally. The Recipient declares its commitment to the objectives of the Grant Activities. To this end, the Recipient shall carry out the Grant Activities through the Ministry of Environment and Urbanization in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Contributor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the PMR contributors’ support for the Grant Activities.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the PMR contributors to visit any part of the Recipient’s territory for purposes related to the Grant Activities.

2.04. Grant Activities Report and Completion Report. (a) The Recipient, through the CCAMD MEU, shall prepare the Grant Activities Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Grant Activities Report shall cover the period starting from signature of this Agreement until June 30, 2015 and shall be furnished to the World Bank not later than one month thereafter.

(b) The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. Financial Management. (a) The Recipient, through the CCAMD MEU, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
(b) The Recipient, through the CCAMD MEU, shall ensure that interim unaudited financial reports for the Grant Activities are prepared and furnished to the World Bank not later than forty-five days after the end of each calendar quarter, covering the three month period in form and substance satisfactory to the World Bank.

(c) The Recipient, through the CCAMD MEU, shall have its Financial Statements for the Grant Activities audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) **General.** All non-consulting services and consultants' services required for the Grant Activities and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants' services; and

(iii) The provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient, through the CCAMD MEU, for the Grant Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement Non-consulting Services**

(i) Except as otherwise provided in subparagraph (c) (ii) below, non-consulting services shall be procured under contracts awarded on the basis of Shopping.

(ii) The following method may be used for the procurement of non-consulting services for those assignments, which are specified in the Procurement Plan, namely, Direct Contracting.
(d) **Particular Methods of Procurement of Consultants' Services**

(i) Except as otherwise provided in subparagraph (d) (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Selection under a Fixed Budget; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection; (E) Selection of Individual Consultants; and (F) Sole-Source Procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: Contracts subject to Prior Review as defined in the Procurement Plan. All other contracts shall be subject to Post Review by the World Bank.

### Article III

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient, through the CCAMD MEU, may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants' services including Training and Workshops</td>
<td>2,915,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operating Costs</td>
<td>85,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this paragraph, the following terms have the following meanings:
(a) "Training and Workshops" means (i) costs associated with training and workshop participation of personnel involved in the implementation of the Grant Activities, including travel and subsistence costs for training and workshop participants; (ii) costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation; and (iii) other costs directly related to training courses and workshop preparation and implementation; and

(a) “Operating Costs” means the operating costs incurred on account of the implementation of the Grant Activities including, staff per diems and lodging as well as travel costs for field trips related to the implementation of the project, supplies and utilities, communication costs including internet, transport, translation of documents, interpreter, office equipment, hardware and software, furniture and maintenance and operation of equipment, office supplies and consumables, utilities, mass media and printing services, vehicle rental, operation and maintenance, and charges for the opening and operation of bank accounts, but excluding salaries of officials of the Recipient’s civil service.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2017.

Article IV
Recipient’s Representative; Addresses

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

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

Undersecretariat of Treasury
Inonu Bulvari 36
Emek, Ankara
Republic of Turkey
Facsimile:
+90-312-204-7366

4.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391