

DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 2 December 2020¹

TURKEY
ANKARA BUS PROJECT
(REGIONAL – GREEN CITIES FRAMEWORK 2)

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

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

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

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ABBREVIATIONS / CURRENCY CONVERSIONS

AMM	Ankara Metropolitan Municipality
CAPEX	Capital Expenditure
CDP	Corporate Development Programme
CNG	Compressed Natural Gas
DSCR	Debt Service Cover Ratio
EGO	Ankara Electricity, Gas and Bus Operations Organization
EIRR	Economic Internal Rate of Return
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
EUR	Euro
FX	Foreign Exchange
GCAP	Green City Action Plan
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Green House Gas
ILBANK	State Development Agency for Municipal Sector
IRR	Internal Rate of Return
KPI	Key Performance Indicator
LVC	Land Value Capture
MOU	Memorandum of Understanding
NTS	Non-Technical Summary
OCCO	Office of the Chief Compliance Officer
SEP	Stakeholder Engagement Plan
SSF	EBRD Shareholder Special Fund
TI	Transition Impact
TC	Technical Cooperation
TRY	Turkish Lira
USD	United States Dollar

CURRENCY EQUIVALENTS

(for the purpose of this paper and unless otherwise stated)

Currency Unit = EUR & TRY

1 EUR = 9.3 TRY

21 October 2020

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Ankara Electricity, Gas and Bus Operations Organization (the “EGO” or the “Company”), a state-owned company responsible for the operation of public transport network in the city of Ankara and affiliated to Ankara Metropolitan Municipality in Turkey, are submitted for consideration by the Board of Directors.

The facility will consist of a loan to the Company in the amount of up to EUR 57.1 million to modernise its bus fleet and will promote sustainable urban mobility in one of Turkey’s most congested cities. The loan will be guaranteed by Ankara Metropolitan Municipality (the “AMM” or the “City”).

This Project is Ankara’s ‘trigger investment’ under the Green Cities Framework 2 (“GrCF2”), formally initiating the City’s participation in the EBRD Green Cities Programme. The Programme serves as a sector-wide catalyst for addressing environmental challenges at the city level, with its main tool being the preparation and subsequent implementation of a Green City Action Plan (“GCAP”). The Bank will support Ankara to develop its GCAP which will comprehensively assess its environmental performance and prioritise future actions and investments to promote its development as a green city. This Project will contribute to achieving Framework objectives through promoting Green and Well-governed qualities.

The investment is a 100 per cent Green Economy Transition (“GET”) project as the proposed bus fleet modernisation is critical in maintaining the current bus patronage as well as reaching significant savings in toxic air emissions at the local level. The Project will contribute to a significant reduction in air pollution in the City of Ankara and improvement in operational efficiency of the Company. [REDACTED]

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

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

Odile Renaud-Basso

BOARD DECISION SHEET

TURKEY – Ankara Bus Project - DTM 51474	
Framework: REGIONAL – Green Cities Framework 2 - Window 2 - DTM 50674	
Transaction / Board Decision	Board approval ² is sought for a senior loan of up to EUR 57.1 million in favour of EGO for EGO’s bus fleet renewal programme to promote sustainable urban mobility in one of Turkey’s most congested cities. EBRD funds will specifically be used for the procurement of up to 254 CNG buses and installation of a CNG filling station in the city of Ankara in Turkey.
Client	<p>Borrower: EGO is a state-owned company responsible for the operation of the public transport network in Ankara and affiliated to Ankara Metropolitan Municipality (“AMM”). The Company has its own assets, management, revenues and borrowing capacity.</p> <p>Guarantor: The City is a public legal entity established and governed under Turkish laws. AMM is the second largest municipal entity in Turkey with a population of 5.7 million.</p>
Main Elements of the Proposal	<p><u>Transition impact:</u></p> <ul style="list-style-type: none"> • Primary Quality – Green. The Project fully contributes to the transition objectives of the Green Cities Framework 2 by focusing on Green as the primary transition quality as this ‘trigger investment’ will contribute to the reduction of toxic air emissions [REDACTED], along with reducing greenhouse gas (“GHG”) emissions [REDACTED] compared to the current level of emissions heavily caused by old diesel buses in EGO’s fleet. • Secondary Quality – Well-governed. The Project also contributes to the Well-governed quality through preparation of a GCAP, the development and implementation of a comprehensive Corporate Development Plan (“CDP”) as well as the Land Value Capture (“LVC”) Policy Dialogue. Bank-mobilised technical assistance will support the City in reviewing and improving existing Key Performance Indicators (“KPIs”), tariff model, further efficiency improvements and private sector involvement. <p><u>Additionality:</u> The Bank’s financing is additional through the financing structure, standard-setting and knowledge, innovation and capacity building. The Bank’s financing provides long term finance to a Turkish municipality, which would otherwise only be available with a sovereign guarantee and/or via a state owned financial intermediary. In addition, the Bank will assist the City in addressing environmental challenges through the development of a GCAP as well as development and implementation of a CDP and LVC Policy Dialogue. The Bank will also promote higher standards of gender equality, as part of the GCAP.</p> <p><u>Sound banking:</u> [REDACTED] The loan is fully guaranteed by the City. A review of financial projections and stress testing indicates that the City is creditworthy and has sufficient repayment capacity.</p>
Key Risks	<p><u>Revenue risk:</u> The Project will be structured as a direct loan to the Company under the guarantee of the City. [REDACTED]</p> <p><u>Affordability risk:</u> The loan relies exclusively on the City budget for repayment. There is no impact on user affordability, as no fare adjustments are part of the Project and loan conditionality.</p> <p><u>Foreign exchange risk:</u> [REDACTED].</p> <p><u>Contracting/Implementation risk:</u> The City’s two stage tendering supported by external consultants, will help mitigate these risks.</p>
Strategic Fit Summary	The proposed Project is consistent with the Bank’s strategy for Turkey, which emphasises increased environmental performance with a focus on emissions reductions under EBRD Green Cities. The Project is also in line with the Bank’s Municipal and Environmental Infrastructure (MEI) Sector Strategy as it supports green and sustainable investments and it is fully in line with the Green Economy Transition, and with the Strategy for the Promotion of Gender Equality.

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

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A senior loan of up to EUR 57.1 million to EGO for the Company’s bus fleet renewal programme to promote sustainable urban mobility in one of Turkey’s most congested cities. The loan will be guaranteed by the City.
Existing Exposure	None.
Maturity / Exit / Repayment	[REDACTED]
Potential AMI eligible financing	None.
Use of Proceeds	The proceeds of the Bank’s loan will be used for the procurement of 254 CNG buses and installation of a CNG filling station. [REDACTED]
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	Ankara Electricity, Gas and Bus Operations Organization, the Borrower Ankara Metropolitan Municipality, the Guarantor
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED] Implementation of Environmental Social Action Plan (“ESAP”). [REDACTED]
Security / Guarantees	Financial guarantee of the City.
Other material agreements	N/A
Associated Donor Funded TC and co-investment grants/concessional finance	<p><u>Pre-signing:</u></p> <p>TC1: Technical, Financial, Environmental and Social Due Diligence [REDACTED].</p> <p>TC2: Pre-signing Procurement Support to support the Company for the tender preparation and application of the EBRD PP&Rs for the contracts proposed for financing by the EBRD. [REDACTED].</p> <p>TC3: Preparation of Feasibility Study for the Company to receive central government approvals, which made the project eligible for EBRD financing. [REDACTED]</p> <p><u>Post-signing:</u></p> <p>TC 4: Implementation Support: Project Implementation Support Services to the Company for organisation of a transparent procurement process in accordance with EBRD’s PP&R as well as assistance in administration of the supply contract. [REDACTED]</p> <p>TC 5: Corporate Development Programme Services to ensure the Company is supported with the preparation and implementation of a CDP including development of KPIs, a fleet renewal strategy for transition to low carbon and electric technology, tariff model review and development of a written methodology to enable EGO to produce financial reporting in accordance with IFRS. [REDACTED]</p> <p>TC 6: Green City Action Plan (GCAP) to identify and prioritise the City’s most pressing environmental challenges, and develop a plan for investments for Ankara to pursue the green agenda. The GCAP methodology includes inclusion and gender considerations. [REDACTED]</p> <p>TC 7: Land Value Capture Policy Dialogue to identify best practice approaches to LVC in Ankara and organise, prepare and manage seminars with municipal and ministry representatives, land developers and relevant private sector stakeholders in Ankara. [REDACTED]</p> <p>Reimbursement: The above assignments will be non-reimbursable. [REDACTED]</p>

	Client contributions: The Company will provide in-kind support in the form of office space, communication connections, etc., for the consultants to work [REDACTED].
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[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Ankara is the capital and second largest city in Turkey with 5.7 million inhabitants. The City's population is steadily increasing at approximately two per cent annually. Such growth has placed stress on the City to provide services necessary for its population, including urban transport and mobility. Ankara currently benefits from a system of public transportation that includes a wide bus network, a two-line metro network and limited rail infrastructure. The use of minibuses is also prevalent. This system, unfortunately, is insufficient to meet local demand, with bus infrastructure in particular characterised by an aged and heavily polluting fleet.

The proposed Project will help Ankara to modernise its bus fleet while addressing air quality issues. Bus services in Ankara are managed by Ankara Electricity, Gas and Bus Operations Organization (EGO General Directorate). [REDACTED] [T]he City [REDACTED] switched to cleaner [REDACTED] buses and became the second EBRD Green City in Turkey.

The Project will support the City to renew the Company's bus fleet to promote sustainable urban mobility in one of Turkey's most congested cities. EBRD funds will be used for the procurement of 254 CNG buses and installation of a CNG filling station. In conjunction, 28 diesel buses will be procured from the Company's own budget. Due to the topological features of Ankara, some of the bus routes have high elevation. Therefore, the Company needs to maintain a small number of diesel buses in its fleet due to the CNG buses' reduced climbing ability.

The Project's new buses [REDACTED] will significantly reduce air pollution with decreases in NOx and Particulate Matter (PM) emissions [REDACTED]. The Project will also result in a [REDACTED] reduction in GHG emissions compared to current conditions. Once fully operational, the new buses will carry more than 57 million passengers annually in Ankara [REDACTED].

The investment is a sub-project under the EBRD Green Cities Programme, and is Ankara's 'trigger investment' that formally initiates the City's participation in the Programme. In addition to improving public transport services, the Project will support the City to develop a GCAP that will (i) identify the City's priority environmental challenges, (ii) articulate the City's vision and strategic objectives, and (iii) propose priority actions and green investments the City can pursue to address their identified challenges. The Project is eligible under EBRD's Green Cities Programme due to its significant impact on reducing air pollution in the city and Ankara's stated commitment to develop a GCAP, reflected in a Memorandum of Understanding (MoU) signed between the City and EBRD on 27 August 2020.

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

1.2 TRANSITION IMPACT

The Project is part of the GrCF2 Window II, which provides a strategic and multi-project approach targeting environmental issues in selected large cities in the Bank's countries of operation. The primary goal is to achieve significant environmental improvements and promote the green transition quality within the relevant cities. The GrCF2 also aims to build the necessary capacity and facilitate better coordination and buy-in among various stakeholders within cities in order to improve the governance, operational efficiency and financial sustainability of the targeted investments and initiatives. These objectives are supported by the development and implementation of a city-specific GCAP identifying and prioritising climate change and environmental challenges and ways to address them through targeted investments, services and policy instruments.

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

Green: The Project is in line with the Bank's GET approach. The Project is expected to result in significant reductions in air pollution emissions, along with GHGs, through the expansion of public transportation infrastructure coupled with partial modernisation of the existing fleet [REDACTED].

Well-governed: This is the "trigger project" for the City under EBRD Green Cities, and will support the City to develop a GCAP which will introduce improvements in local planning and coordination of infrastructure development in medium and long term and strengthen institutional capacity of the City. Further, the Company will implement a Corporate Development Programme ("CDP"). The Bank will provide technical assistance to review and improve existing Key Performance Indicators ("KPIs") and asset management practices as well as further efficiency improvements and opportunities for private sector involvement. As part of the policy reform agenda, the Project will also pursue the development of the Land Value Capture model by the City. [REDACTED]

1.3 ADDITIONALITY

Identified triggers	Description
<i>No triggers identified.</i>	<i>n/a</i>

Additionality sources	Description of additionality sources
<p>Financing Structure</p> <ul style="list-style-type: none"> – EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a longer grace period. Such financing is necessary to structure the project. 	<p>The Bank will be additional by providing long term financing to a Turkish municipality that would otherwise only be available with a sovereign guarantee and/or through an intermediary agency [REDACTED]</p>
<p>Standard-setting: helping projects and clients achieve higher standards</p> <ul style="list-style-type: none"> – Client seeks/makes use of EBRD expertise on corporate governance improvements, including for climate risk management. – Client seeks/makes use of EBRD expertise on higher environmental standards, above 'business as usual' (e.g. adoption of emissions standards, climate-related ISO standards etc.). 	<p>EBRD credit, transition impact, procurement and environmental (as reflected in the GET contribution) related conditionalities [REDACTED] promoting performance improvements and greater transparency.</p> <p>The project will develop higher inclusion and gender standards as part of the GCAP.</p>

<ul style="list-style-type: none"> – Client seeks/makes use of EBRD expertise on best international procurement standards. – Client seeks/makes use of EBRD expertise on higher inclusion and gender standards. 	
<p>Knowledge, innovation, and capacity building</p> <ul style="list-style-type: none"> – EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project’s objectives, including support to strengthen the capacity of the client. 	The Bank has relevant sector and municipal knowledge and will mobilise TC funding to support the City in implementing the project, development of the GCAP as well as development and implementation of a CDP. The Project will be procured under EBRD’s PP&R.

1.4 SOUND BANKING - KEY RISKS

EGO

Risks	Probability / Effect	Comments
Covid-19 Risk	<i>High/Medium</i>	The Company may have Covid-19 related [REDACTED]decrease in transport revenues as public transport capacity cannot be fully utilised under social distancing measures as well as an overall decrease in passenger volumes. Total daily number of passengers (inc. rail system) decreased by 1.7 million in March and 0.7 million in September. Social distancing measures result in reduction in capacity on public transport networks for the same level of services. [REDACTED]
Tariff risk	<i>Low/High</i>	In Turkey, all tariffs are set by the Transport Coordination Committee (UKOME) of each respective City. It mostly covers operating expenditures [REDACTED].
Demand Risk	<i>Low/Low</i>	The demand for bus services is expected to continue increasing in the future with the growing population.
Dependence on subsidies	<i>Low/Low</i>	Public transport operators do not receive subsidies. [REDACTED]
Financial risk	<i>High/High</i>	[REDACTED] The City will provide a 100% guarantee for the loan until the end of maturity.[REDACTED]
FX and interest rate risk	<i>Medium/Medium</i>	[REDACTED]
Implementation risk	<i>Medium/High</i>	The risk will be mitigated by the engagement of project implementation support consultants. TC consultants will be employed to assist with procurement and the monitoring of project implementation.

AMM

Risks	Probability / Effect	Comments
Country risk	<i>Medium/Medium</i>	[REDACTED]Ankara is the capital city of Turkey and hosts almost 6.7% of the country’s population with 5.7 million inhabitants with an average increase of 1.9% in the last 10 years. [REDACTED]
Covid-19 Risk	<i>High/Medium</i>	<ul style="list-style-type: none"> • Municipalities are not affected negatively as much as expected by Covid-19 crisis in Turkey. This is mainly due

		to the cancellation or postponement of capital expenditures and decreases in the non-urgent operational expenditures which net off the increase in unexpected Covid-19 related expenses such as sanitation <ul style="list-style-type: none"> The City performs robustly during Covid-19 crisis. [REDACTED]
Financial risk	<i>High/High</i>	[REDACTED]
FX and interest rate risk	<i>Medium/Medium</i>	[REDACTED]

2. MEASURING / MONITORING SUCCESS

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

Information collected at sub-project level will be aggregated and used to inform Framework level monitoring.

Obj. No.	Framework Objective	Transition Indicators	Contribution of Operation to Framework Objectives	Baselines	Target Values	Implementation Timelines
Primary TI Quality: Green						
1.1	Multiple green investments: Each participating city makes on average at least 3 investments that address priority environmental challenges identified by the GCAP, where all EBRD financed projects reduce emissions or improve resource efficiency by minimum 20 per cent or promote climate change resilience.	Implementing an eligible Green Cities project	NOx and PM emissions reduced [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Environmental impact: To achieve significant environmental improvements for at least one priority environmental challenge, i.e. the promotion or protection of certain performance levels (colour codes) for critical environmental challenges as specified in the	Achieving significant environmental impact in a priority environmental challenge	Address Ankara's air pollution challenges, with significant reductions in NOx and PM air pollutant emissions.	[REDACTED]	[REDACTED]	[REDACTED]

	GCAPs, for more than 50 per cent of the Green Cities.	identified in the GCAP				
1.3	Effective GCAP implementation: To achieve the overall objective, the Framework will also have an implementation objective of achieving at least 50 per cent of all verifiable targets, set in all GCAPs, within 5 years after the respective GCAP finalisation (including both investments and well defined policy measures).	Implementing a project identified as a target for the GCAP	The Project will support the City to develop a Green City Action Plan that sets verifiable targets.	[REDACTED]	[REDACTED]	[REDACTED]
1.4	Strong follow-on support: At least 50 per cent of transactions and investment volume under GrCF2 being follow-on investments addressing critical environmental challenges identified in the GCAPs.	Implementing a follow-on project	Trigger – the Project will support the City to develop a GCAP, enabling follow on opportunities.	[REDACTED]	[REDACTED]	[REDACTED]
Secondary TI Quality: Well-governed						
2.1	New GCAPs: 10 additional GCAPs finalised and approved where all GCAPs include priority actions and a monitoring strategy.	GCAP developed and submitted for approval	Ankara's GCAP sent to the Municipal Council including an implementation and monitoring strategy	[REDACTED]	[REDACTED]	[REDACTED]
2.2	PSCs and tariff increases: PSCs and effective tariff increases in line with the respective PSCs, aimed at cost-recovery or improved fare-box ratio, for the majority of all sub-projects benefitting revenue-generating operators.	Public service contract signed and implemented	Development, implementation and monitoring of operational KPIs for EGO	[REDACTED]	[REDACTED]	[REDACTED]
		Tariffs reached the target level	As part of the CDP assignment, the existing tariff model will be assessed.	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Access to financial markets: Develop green finance roadmaps in 4 cities to address the key elements required to access green finance markets, including green bonds.	A green finance roadmap finalised	N/A	[REDACTED]	[REDACTED]	[REDACTED]

Project Monitoring Indicators

Indicator	Projected Impact	Implementation Timing
Green		
Total Population benefitting from improved bus services (individuals)	[REDACTED]	[REDACTED]
Annual reduction in tonnes of CO ₂ equivalent emissions (tonnes CO ₂ eq / yr)	[REDACTED]	[REDACTED]
Annual reduction in NO _x emissions (tonnes NO _x / yr)	[REDACTED]	[REDACTED]
Annual reduction in particulate matter (PM) emissions (tonnes PM / yr)	[REDACTED]	[REDACTED]
Well-Governed		
Public service contract or Public Service Obligation signed and implemented	[REDACTED]	[REDACTED]
Recommended policy or strategy agreed by relevant stakeholder(s)	[REDACTED]	[REDACTED]
Tariff reform in target segment adopted by authorities	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

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

EGO is the main bus operator in the city with 1,562 buses operating on 414 lines, with a total distance of 15,690 km. In addition to the municipal bus operations, EGO also operates the metro network (Ankara Metro), light rail line (Ankaray) and cable car line (3.3 km). The Company uses e-ticketing system, which is fully integrated with rail systems and cable car lines. In total, EGO operates a 64.3km rail network (including 8.3 km light rail line). Another transportation service available in Ankara is the commuter rail (27 km), also known as the Baskentray which is integrated to the metro. The commuter rail is operated by the State Railway Company of Turkey. [REDACTED]

3.2 GUARANTOR

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

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

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

4. MARKET CONTEXT

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

In metropolitan municipalities, urban transport operations are run and monitored by municipally owned companies, which have autonomous budgets and organizational structures (i.e. EGO in Ankara, ESHOT in Izmir, IETT in Istanbul, etc.). AMM is responsible for providing and monitoring urban transport services in Ankara. Ankara's public transport system is a multi-modal system, organised to include interconnectivity between a variety of transport modes such as (i) rail systems, (ii) bus networks, (iii) privately owned buses, (iv) privately owned minibuses and (v) taxis. Rail systems and bus networks are owned and operated by the City. The network is complemented by privately owned buses, minibuses and taxis. Privately owned buses receive operation rights for designated routes through official tendering processes carried by the City. Municipal entities are responsible of providing and monitoring urban transport services in Turkey. Tariffs are set by the transport coordination committee ("UKOME"), which is an independent public sector entity.

Rail system and bus investments are funded by the City's own budget or investment loans provided by financial institutions. These investments are subject to strict approval methodology set by law and closely monitored by the central government. Investments need to be in line with Ankara's transport master plan. [REDACTED]

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 SENSITIVITY ANALYSIS

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (ESP 2014). The Environmental and Social Due Diligence (ESDD) for the project has been undertaken by independent consultants and included an environmental and social (E&S) analysis of the project, a review of the current facilities and operations as well as the E&S management systems and the capacity of the company. Due to Covid-19 travel restrictions, ESDD has been carried out remotely.

The ESDD confirmed that E&S impacts associated with the fleet renewal programme will be mainly beneficial. Due to the topological features of Ankara, some of the bus routes have high elevation. Therefore, the Company needs to maintain diesel buses on its fleet due to the CNG buses' reduced climbing ability. The Project will contribute to improving accessibility and mobility for all user groups, air quality in the City, safety and efficiency of urban transportation. The modernisation of the fleet will enable [REDACTED] NO_x and [REDACTED] PM emissions reductions. CO₂ emissions will also be reduced [REDACTED].

The installation of the new CNG filling station and the on-going expansion of two depots to serve the new buses will result in site-specific impacts only, which can be managed through implementation of appropriate mitigation measures. It is confirmed that the project will not require acquisition of any land or result in involuntary resettlement or economic displacement. The Company does not currently plan any labour restructuring or redundancies.

EGO has ISO 14001:2015 Environmental Management System Certificate, OHSAS 18001:2007 Occupational Health and Safety (H&S) Management System, and ISO 10002:2018 Customer Satisfaction System certificates valid until 14 October 2020 with the renewal process ongoing. Although EGO has established E&S management systems, the ESDD has identified a number of gaps and improvement areas, which are addressed in the ESAP.

All new drivers receive orientation training which includes employee rights, safe driving and defensive driving techniques, vehicle safety systems and their use, safe distance to keep in traffic, collisions and their effects, use of equipment available in vehicles, communication, anger and stress management. [REDACTED]

An Environmental and Social Action Plan (“ESAP”) has been developed [REDACTED]. Additional support for ESAP implementation will be provided as part of the post-signing TC for Project Implementation Support Services.

The Bank will monitor the Company's activities through annual E&S monitoring reports and site visits if necessary.

6.2 INTEGRITY

In conjunction with OCCO, internal and external integrity due diligence was undertaken on the Company, the City, senior management and other relevant parties. The review [REDACTED] concluded that [REDACTED] this project does not pose an unacceptable reputational risk to the Bank. [REDACTED]

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

ANNEXES TO OPERATION REPORT

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ANNEX 1- PROJECT INFORMATION

The Project will be in Ankara, the capital and second largest city, in Turkey located in the central Anatolia region.



This project aims to provide the due diligence for the Ankara bus fleet renewal programme through the purchase of 282 buses and a CNG filling station. [REDACTED] EBRD will support the financing of only the CNG buses. [REDACTED] [T]he proposed bus fleet update is critical in maintaining the current bus patronage as well as reaching significant savings in the GHG and toxic air emissions. [REDACTED]

ANNEX 2- FINANCIAL ANALYSIS OF THE COMPANY

[REDACTED]

ANNEX 3- FINANCIAL ANALYSIS OF THE CITY

[REDACTED]

ANNEX 4- ECONOMIC ASSESSMENT OF THE PROJECT

[REDACTED]

ANNEX 5- GENERAL INFORMATION ABOUT EGO & PUBLIC TRANSPORT MODES IN ANKARA

EGO was founded on December 16, 1942 as Ankara Electricity and Gas Operations Business. In 1950, with the incorporation of the Bus Operation and Administration Business, it became Ankara Electricity, Gas and Bus Operations Organization (EGO General Directorate) providing electricity, gas (later on natural gas) and bus services to citizens of Ankara. Electric services has been transferred to Turkish Electricity Authority in 1982 and natural gas services has been transferred to Baskent Natural Gas Distribution Inc. in 2007. Today EGO undertakes bus and rail systems (metro) operations of the public transportation services in Ankara as well as transportation planning services.

EGO is a state-owned company, has its own budget and organisational structure. EGO is responsible to the Administrative Committee and Ankara Metropolitan Municipality Council in

terms of exercising authority. The decisions and practices taken by the General Directorate are put into practice upon the approval of the Administrative Committee. [REDACTED]

In addition to the municipal bus operations, Ankara is currently served by a cable car system, a suburban rail named Ankaray and four metro lines of the Ankara Metro. In total, EGO operates a 64.3km rail network (including 8.3 km light rail line). [REDACTED]

ANNEX 6- PROJECT IMPLEMENTATION

[REDACTED] The EBRD financed project will be implemented through a Project Implementation Unit (PIU) to be created by the Client. All procurement under the project will be in line with the requirements of EBRD's PP&R. [REDACTED]

Project implementation arrangements:

[REDACTED] Advance Procurement Support consultants were assigned to support the Company to ensure compliance with EBRD PP&R for tendering and contracting.

Procurement arrangements:

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

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

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

ANNEX 7- IMPLEMENTATION PROGRESS OF GrCF / GrCF2

The Green Cities Framework (GrCF), approved by the Board in November 2016, set an ambitious agenda for the Bank's municipal business, with the over-arching aim being 'to serve as a sector-wide catalyst for addressing environmental challenges at the City level'. After only 2 years of operation, the Framework proved its ability to act as such a catalyst with the utilisation of the entire EUR 250 million headroom. As a consequence, in October 2018 a new Framework was approved by the Board, Green Cities Framework 2 (GrCF2), with a headroom of EUR 1.1 billion, with EUR 700 million from the Bank's own capital and the remainder from the Green Climate Fund (GCF) and other donors. Given the sizeable amount from the GCF, in the form of concessional loans and grants for both capex and TC and the requirement to confirm to GCF the availability of Bank co-financing, GrCF2 is divided into two windows: Window I for GCF co-financing and Window II for non GCF co-financing. Since 2016, the GrCF and GrCF2 have mobilised nearly EUR 1.5 billion in EBRD and donor funding. [REDACTED]