

Public Disclosure Authorized

# OFFICIAL DOCUMENTS

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LOAN NUMBER 8681-7E

## Project Agreement

(Trans-Anatolian Natural Gas Pipeline Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

TANAP DOĞALGAZ İLETİM ANONİM ŞİRKETİ

Dated DECEMBER 26 , 2016

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**PROJECT AGREEMENT**

Agreement dated **DECEMBER 26**, 2016, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and TANAP DOĞALGAZ İLETİM ANONİM ŞİRKETİ (TANAP Natural Gas Transmission Company) (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between BORU HATLARI İLE PETROL TAŞIMA ANONİM ŞİRKETİ (BOTAŞ) (“Borrower”) and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement, the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — PROJECT**

- 2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank, the Borrower and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

**ARTICLE III — REPRESENTATIVE; ADDRESSES**

- 3.01. The Project Implementing Entity’s Representative is its Chief Executive Officer.

3.02. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Telex:

Facsimile:

248423(MCI) or  
64145(MCI)

1-202-477-6391

3.03. The Project Implementing Entity's Address is:

TANAP Doğalgaz İletim Anonim Şirketi  
Kizilirmak Mah. Ufuk Üniversitesi Cad.  
Farilya Business Center No: 8 Kat 2  
Çankaya – Ankara  
Turkey


Facsimile:

90-312-999-11-12

AGREED at Ankara, Republic of Turkey, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Seda Aroymak

Title: Acting Country Director

TANAP DOĞALGAZ İLETİM ANONİM ŞİRKETİ

By

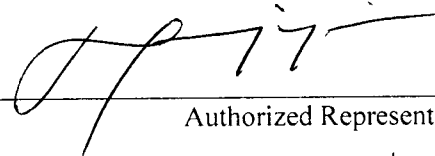


Authorized Representative

Name: H. SALTUK DÜZYOL

Title: CEO

By



Authorized Representative

Name: BORA ÇERNİKLİ

Title: CFO

## SCHEDULE

### Execution of the Project

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Project Implementing Entity shall carry out the Project in accordance with this Agreement and the Subsidiary Agreement and shall not take or concur with any action that would have the effect of amending, suspending, abrogating, assigning, repealing or waiving the Subsidiary Agreement or any provision thereof, without the prior written approval of the Bank.
2. The Project Implementing Entity shall be responsible for carrying out the Project implementation, monitoring and evaluation, and management, including financial management, disbursement and procurement.
3. The Project Implementing Entity shall maintain, at all times during the execution and until the Closing Date, internal control procedures relating to the processing of Project transactions which are satisfactory to the Bank.
4. The Project Implementing Entity shall maintain, at all times during the execution and until Project Completion, a contractor for engineering services (referred to as EPCM contractor), with terms and conditions and staffing satisfactory to the Bank, to be responsible for: (a) reviewing front-end engineering designs; and (b) providing detailed engineering of pipeline and compressor stations.
5. The Project Implementing Entity shall maintain at all times, during the execution and until Project Completion, an integrated Project management structure (consisting of Project Implementing Entity and external consulting staff) controlled by the Project Implementing Entity to be responsible for: (a) monitoring the development and implementation of the health, safety, social and environmental programs, and the quality assurance and quality control programs and procedures of the engineering, procurement and construction contractors; (b) monitoring and managing the Project schedule and costs; (c) supporting the Project Implementing Entity in the development, implementation and supervision of all plans, procedures and mitigation activities required for fulfilling the obligations and commitments stipulated in the ESIA Package and Sub-Management Plans in connection with the engineering, procurement, construction and operation stages of the Project; (d) preparing application documents and/or reports, all in accordance with applicable laws, to obtain necessary authorizations, including permits, that are required for the Project; (e) monitoring and coordinating with Project contractors, third-party entities, and stakeholders; (f) supervising pre-commissioning, commissioning and start-up of operations and the initial

operations; and (g) preparing Project reports, including daily construction and field progress reports, weekly and monthly progress reports, and Project cost and schedule risk assessment reports.

**B. Anti-Corruption**

1. The Project Implementing Entity shall ensure that the Project activities financed in whole or in part by the Loan proceeds are carried out in accordance with the provisions of the Anti-Corruption Guidelines.
2. The Project Implementing Entity shall ensure all contractors financed out of the proceeds of the Loan have expressly agreed to comply with the provisions of the Anti-Corruption Guidelines, including the Bank's right to inspect all accounts, records and other documents relating to the Project that are required to be maintained pursuant to the Loan Agreement and to have them audited by, or on behalf of, the Bank.

**C. Safeguards**

1. The Project Implementing Entity shall maintain at all times during the execution and until the Closing Date, a unit, with terms and conditions and staffing satisfactory to the Bank, to be responsible, as needed, for the management and implementation of the environmental and safeguards documents that constitute the ESIA Package, including the RAPs; should Resettlement related activities continue beyond the Closing Date, the Project Implementing Entity shall maintain qualified staff in adequate numbers to be responsible for the management and implementation of social safeguard instruments, including the RAPs, until the completion of the Resettlement activities, as defined in the RAPs.
2. The Project Implementing Entity shall: (a) not later than forty-five (45) days after the date of this Agreement, appoint an independent third party monitoring consultant to be responsible for monitoring the implementation of the RAPs and for the preparation of reports on the monitoring results to be provided to the Bank; (b) maintain, in accordance with the requirements of the relevant documents of the ESIA Package, the independent third party monitoring consultant retained for (i) the purpose indicated in Section 1.C.2(a) herein, and (ii) for the purpose of independently monitoring the Project's compliance with terms of the ESIA Package, and to prepare quarterly ESIA monitoring reports and semi-annual external monitoring reports of the RAPs, and in each case with staffing and terms of reference satisfactory to the Bank; and (c) cause the third party monitoring consultant to provide directly to the Bank, on a timely basis, the quarterly reports for the Project.
3. The Project Implementing Entity shall ensure that the Project (including all work performed by contractors) is carried out in accordance with the provisions of the

ESIA Package, including the RAPs, which shall all be to the satisfaction of the Bank, and except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof, which, in each case, may have a substantial or material impact on the Project Implementing Entity's commitments under the ESIA Package most recently approved by the Bank.

4. In the event of any conflict or inconsistency between the provisions of the ESIA Package, including the RAPs, and the provisions of the Loan Agreement or this Agreement, the provisions of the Loan Agreement or this Agreement, as applicable, shall prevail.
5. Without prejudice to Section I.C.4 of this Schedule, the Project Implementing Entity shall, for all activities financed in whole or in part out of the proceeds of the Loan (except the contracts for goods, works, non-consulting services and consulting services included in the Procurement Plan, dated November 3, 2016):
  - (a) prior to the issuance of the bidding documents for any works contract, prepare and submit to the Bank for its approval the proposed design and site for the works in form and substance satisfactory to the Bank;
  - (b) submit to the Bank the draft contract for such works to ensure that the provisions of the ESIA are adequately included in the related contract;
  - (c) submit to the Bank for its no-objection the final site-specific ESMP(s) of the successful bidder(s) of the relevant contract award;
  - (d) as applicable, prior to the signing of the works contract prepare and submit to the Bank for its approval the site-specific RAP(s) in form and substance satisfactory to the Bank;
  - (e) prior to the commencement of the related works ensure that the owners and users of the land where the related works are to be implemented are fully compensated in accordance with the provisions of the RAP(s); and
  - (f) prior to the selection of consultants for consultancy services set forth in part 8 of Schedule 1 of the Loan Agreement, submit to the Bank for no-objection the terms of reference for such consultancy services, incorporating in such terms of reference the requirements of the World Bank's Safeguard Policies then in force.
6. The Project Implementing Entity shall: (a) ensure that RAPs are prepared for sites where pre-screening has identified resettlement impacts; (b) maintain and

publicize the availability of, grievance procedures to hear and determine fairly and in good faith, in accordance with the RAP, all complaints raised in relation to the implementation of the RAPs by those being resettled or by those in host communities who are adversely affected by the implementation of the RAP, and take all measures necessary to implement the determinations made under such grievance procedures; (c) furnish promptly to the Bank the findings and recommendations for follow up action resulting from each such complaint review; (d) implement all such recommendations for follow up action as are agreed with the Bank; and (e) prepare and submit to the Bank internal monitoring reports of the RAPs on a quarterly basis.

7. In furtherance of Section I.C.6 of this Schedule, the Project Implementing Entity shall:
  - (a) maintain, in accordance with the requirements of the relevant documents of the ESIA Package, a grievance redress mechanism for the Project, with terms and conditions and staffing satisfactory to the Bank, to be responsible for addressing complaints related to the implementation of the Project environmental and social safeguards documents included in the ESIA Package, including the RAPs; and
  - (b) not later than thirty (30) days after the date of this Agreement, the Project Implementing Entity shall establish and thereafter maintain, in accordance with the requirements of the RAPs, four independent appeals grievance redress committees, each to cover the geographical areas of the respective Project construction lots (including the corresponding above-ground installations), with terms and conditions and staffing satisfactory to the Bank, to be responsible for independently addressing complaints not addressed by the Project's grievance redress mechanism related to the implementation of environmental and social safeguards documents included in the ESIA Package, including the RAPs.
8. The Project Implementing Entity shall, in relation to Resettlements under the Project, pay all expenditures and any other related payments referenced under the RAPs.
9. The Project Implementing Entity shall, under terms of reference agreeable to the Project Implementing Entity and the Bank, and no later than one calendar year after the carrying out the RAPs, conduct and furnish to the Bank impact evaluation studies on the resettlement activities under the Project.
10. The Project Implementing Entity shall take all measures necessary on its part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the ESIA Package, including the RAPs. and any site specific addenda thereto of such instruments, giving details of:



(a) measures taken in furtherance of such instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Plans and addenda; and (c) remedial measures taken or required to be taken to address such conditions.

11. The Project Implementing Entity shall:
  - (a) as soon as reasonably practicable, but no later than five (5) calendar days after the occurrence of a Significant Event, inform the Bank by any electronic means of the nature of the incident, accident, or circumstance and any effect or impact (whether on-site or off-site) resulting or likely to result there from;
  - (b) as soon as reasonably practicable, but no later than thirty (30) days after such Significant Event, provide the Bank with a summary report that includes a description of such Significant Event, and the measures, if any, that the Project Implementing Entity is taking or plans to take to address such Significant Event and to prevent any future similar event; and
  - (c) keep the Bank informed of the on-going implementation of the said measures and plans.
12. The Project Implementing Entity shall implement its Working Hours Action Plan, found acceptable by the Bank, in accordance with the compliance schedule set forth in such plan.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of indicators confirmed by the Borrower and the Project Implementing Entity and acceptable to the Bank. Each such Project Report (TANAP Project Monthly Progress Report) shall cover the period of one month, and shall be furnished to the Borrower not later than one month after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

**B. Financial Management, Financial Reports and Audits**

1. The Project Implementing Entity shall maintain a financial management system and prepare its entity financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect

the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its entity financial statements referred to in Section II.B.1 above audited by internationally recognized independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

**Section III. Procurement**

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

## APPENDIX

### Definitions

1. “Resettlement” means: (a) the involuntary taking of land resulting in (i) relocation or loss of shelter, (ii) loss of assets or access to assets, and (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of said person.
2. “Significant Event” means: (a) any significant social, labor, health and safety, security or environmental incident, accident, or circumstance involving the Project, including, without limitation, explosions, spills, and any workplace accidents that result in death, serious or multiple injury, material pollution, or any violent labor unrest or dispute between the Project Implementing Entity or security forces (assigned to protect the Project) and local communities; or (b) any other event or circumstance having, or which could reasonably be expected to have, a material adverse effect on the implementation or operation of the Project in accordance with the ESIA Package.
3. “Sub-Management Plans” means the management plans of the Project Implementing Entity’s construction contractors that are prepared by said contractors for their carrying out of the respective parts of the Project.
4. “Working Hours Action Plan” means the Project Implementing Entity’s Working Hours Action Plan, dated November 8, 2016, acceptable to the Bank, and as may be amended from time to time.
5. “World Bank’s Safeguard Policies” means the World Bank’s operational policies and procedures set forth in the World Bank’s operational manual under Operational Policies and Bank Procedures 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50, and 7.60, as said manual is published under [www.WorldBank.org/opmanual](http://www.WorldBank.org/opmanual).