

OFFICIAL DOCUMENTS

LN 8630-TR

Supplemental Letter No. 2

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş

October 24, 2016

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: Loan No. 8630-TR
(Long Term Export Finance Project)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

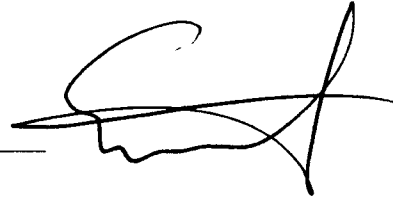
This refers to paragraph A.1 of Section II of Schedule 2 to the Loan Agreement of even date herewith between the International Bank for Reconstruction and Development (the Bank) and Türkiye İhracat Kredi Bankası A.Ş (the Borrower). The Borrower hereby confirms to the Bank that the indicators set out in this letter shall serve as a basis for the Borrower to monitor and evaluate the progress of the Project and the achievement of the objectives:

Very truly yours,

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş

M. BAKI TANDIRMAN
Asistant General Manager

By _____
Authorized Representative



i. Teoman ŞENER
Head of Finance Division
Authorized Representative

By _____
Authorized Representative



TURKEY: Long Term Export Finance Project
 Results Framework and Monitoring
Results Framework

Project Development Objectives

PDO Statement

The Project Development Objective (PDO) is to improve access to longer term finance for export oriented small, medium and large enterprises.

These results are at | Project Level

Project Development Objective Indicators

| Indicator Name | Baseline | Cumulative Target Values | | | | | End Target |
|---|----------|--------------------------|--------|--------|--------|--------|------------|
| | | YR1 | YR2 | YR3 | YR4 | | |
| Ratio of the average maturity of SME sub-financing under the project, over the average maturity of the PFIs' SME portfolio not financed under the project. (Number) | 1.00 | >1.00 | >1.00 | >1.00 | >1.00 | >1.00 | >1.00 |
| Ratio of the average maturity of LE sub-financing under the project, over the average maturity of the PFIs' LE portfolio not financed under the project. (Number) | 1.00 | >1.00 | >1.00 | >1.00 | >1.00 | >1.00 | >1.00 |
| Number of SME beneficiaries financed by PFIs under the project (cumulative). (Number) | 0.00 | 40.00 | 85.00 | 170.00 | 215.00 | 260.00 | 260.00 |
| Number of LE beneficiaries financed by PFIs under the project (cumulative). (Number) | 0.00 | 5.00 | 10.00 | 20.00 | 25.00 | 30.00 | 30.00 |
| Volume of Bank support (cumulative, USD million). (Number) | 0.00 | 50.00 | 100.00 | 200.00 | 250 | 300.00 | 300.00 |

Intermediate Results Indicators

| Indicator Name | Baseline | Cumulative Target Values | | | | | End Target |
|---|----------|--------------------------|-------|--------|--------|--------|------------|
| | | YR1 | YR2 | YR3 | YR4 | | |
| Number of active PFIs under the project (cumulative). (Number) | 0.00 | 2.00 | 4.00 | 6.00 | 6.00 | 6.00 | 6.00 |
| Based on Core Indicator: Volume of Bank Support: Lines of Credit - SME (cumulative, USD million). (Number) | 0.00 | 30.00 | 60.00 | 120.00 | 150.00 | 180.00 | 180.00 |
| Export multiplier: Ratio of the export growth of SMEs and LEs under the project relative to the export growth of their equivalent sector. (Number) | 1.00 | >1.00 | >1.00 | >1.00 | >1.00 | >1.00 | >1.00 |
| Percent of SMEs receiving sub-finance by Eximbank that are new exporters. (Number) | 0.00 | | | | | | 10.00 |
| Outstanding export finance portfolio (USD million). (Number) | n/a | | | | | | n/a |
| Based on Core Indicator: Outstanding SME finance portfolio (USD million). (Number) | n/a | | | | | | n/a |
| Number of active export finance accounts (not cumulative). (Number) | n/a | | | | | | n/a |
| Based on Core Indicator: Number of active SME finance accounts (not cumulative). (Number) | n/a | | | | | | n/a |
| Based on Core Indicator: Portfolio Quality: Portfolio at risk (%). (Percentage) | 0.3 | | | | | | n/a |
| Based on Core Indicator: Financial Sustainability: Return on Assets (%). (Percentage) | 1.2 | | | | | | n/a |
| Based on Core Indicator: Financial Sustainability: Return on Equity (%). (Percentage) | 10.4 | | | | | | n/a |

| | | | | | | |
|--|------|-----|-----|-----|-----|-----|
| Compliance with prudential regulation. (Yes/No) | Yes | Yes | Yes | Yes | Yes | Yes |
| Gender: Percent of SME and LE beneficiaries financed under the project with at least 15 percent female participation in their workforce. (Number) | 0.00 | | | | | n/a |
| Citizen Engagement: SMEs and LEs that feel project sub-finance reflected their needs. (Percentage) | 0.00 | | | | | n/a |

Indicator Description

Project Development Objective Indicators

| Indicator Name | Description (indicator definition etc.) | Frequency | Data Source / Methodology | Responsibility for Data Collection |
|--|---|-------------|---------------------------|------------------------------------|
| Ratio of the average maturity of SME sub-financing under the project, over the average maturity of the PFIs' SME portfolio not financed under the project. | No description provided. | Semi-annual | Project report | PIU and PFIs |
| Ratio of the average maturity of LE sub-financing under the project, over the average maturity of the PFIs' LE portfolio not financed under the project. | No description provided. | Semi-annual | Project report | PIU and PFIs |
| Number of SME beneficiaries financed by PFIs under the project (cumulative). | No description provided. | Semi-annual | Project report | PIU and PFIs |
| Number of LE beneficiaries financed by PFIs under the project (cumulative). | No description provided. | Semi-annual | Project report | PIU and PFIs |
| Volume of Bank support (cumulative, USD million). | No description provided. | Quarterly | Project report | PIU and PFIs |

Intermediate Results Indicators

| Indicator Name | Description (indicator definition etc.) | Frequency | Data Source / Methodology | Responsibility for Data Collection |
|--|---|-------------|---------------------------|------------------------------------|
| Number of active PFIs under the project (cumulative). Based on Core Indicator: Volume of Bank Support: Lines of Credit - SME (cumulative, USD million). | Note: PFIs that have signed an SFA and extended sub-finance, excluding Eximbank. Note: Under this project, SMEs are defined as firms employing fewer than 250 people. In addition, the size of the sub-financing under the project is not to exceed USD3.5 million, reflecting the local market conditions. | Semi-annual | Project report | PIU and PFIs |
| Export multiplier: Ratio of the export growth of SMEs and LEs under the project relative to the export growth of their equivalent sector. | No description provided. | Semi-annual | Project report | PIU and PFIs |
| Percent of SMEs receiving sub-finance by Eximbank that are new exporters. | Note: New exporters are defined as SMEs that begun exporting in the past three years. Annual cumulative target values are not defined, accommodating economic fluctuations during project implementation. | Semi-annual | Project report | PIU and PFIs |
| Outstanding export finance portfolio (USD million). Based on Core Indicator: Outstanding SME finance portfolio (USD million). | Note: The top indicator will report for all PFIs. However, the accompanying text will report by PFI. Note: The top indicator will report the entire SME portfolio of the PFIs, not just the Bank-financed portion, as per Core Indicator guidance. However, the accompanying text will report by PFI, both the entire portfolio and the Bank-financed portion. | Semi-annual | Project report | PIU and PFIs |
| Number of active export finance accounts (not cumulative). | Note: The top indicator will report the entire portfolio of the PFIs, not just the Bank-financed portion. However, the accompanying text will report by PFI, both the entire portfolio and the Bank-financed portion. | Semi-annual | Project report | PIU and PFIs |

| | | | | |
|--|---|-------------|----------------|--------------|
| Based on Core Indicator: Number of active SME finance accounts (not cumulative). | Note: The top indicator will report the entire portfolio of the PFIs, not just the Bank-financed portion, as per Core Indicator guidance. However, the accompanying text will report by PFI, both the entire portfolio and the Bank-financed portion. | Semi-annual | Project report | PIU and PFIs |
| Based on Core Indicator: Portfolio Quality: Portfolio at risk (%). | Note: The indicator is not SME specific and follows the local definition for NPLs, as regulated by BRSA. The top indicator will report on Eximbank. However, the accompanying text will report by PFI, both the entire portfolio and the Bank-financed portion. | Semi-annual | Project report | PIU and PFIs |
| Based on Core Indicator: Financial Sustainability: Return on Assets (%) | Note: The top indicator will report on Eximbank. However, the accompanying text will report by PFI. | Semi-annual | Project report | PIU and PFIs |
| Based on Core Indicator: Financial Sustainability: Return on Equity (%) | Note: The top indicator will report on Eximbank. However, the accompanying text will report by PFI. | Semi-annual | Project report | PIU and PFIs |
| Compliance with prudential regulation. | Note: The top indicator will report on Eximbank. However, the accompanying text will report by PFI. | Semi-annual | Project report | PIU and PFIs |
| Gender: Percent of SME and LE beneficiaries financed under the project with at least 15 percent female participation in their workforce. | No description provided. | Semi-annual | Project report | PIU and PFIs |
| Citizen Engagement: SMEs and LEs that feel project sub-finance reflected their needs. | A mid-term survey will measure the satisfaction of the sub-beneficiary (SMEs and LEs) with the sub-finance in term of their needs (e.g. short-term working capital and long-term investment finance). This will exclude satisfaction with FI decisions related to the size, terms and conditions that need to be market based (as required by OPI0). The survey results will inform the project implementation, as appropriate. | Mid-term | Survey basis | PIU |