Mr. Hakan Tokaç
Director General
Directorate General of Foreign Economic Relations
Undersecretariat of Treasury
Inonu Bulvari 36
Emek, Ankara
Republic of Turkey

Re: PFM Grant No. TF019355
Public Finance Management Reform Implementation
Support Project

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 Multi-Donor Programmatic Trust Fund for Europe and Central Asia Public Finance Management (TF071577), proposes to extend to the Recipient a Grant in an amount not to exceed seven hundred eighty thousand United States Dollars (US$780,000) 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

Johannes Zutt  
Country Director  
Turkey Country Unit  
Europe and Central Asia Region

AGREEED:

REPUBLIC OF TURKEY

By Hakan TOKAÇ  
Authorized Representative  
Name  
Title  
Date: 26 NOV 2015
PFM Grant No. TF019355
ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions"), constitute an integral part of this Agreement.

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 or in this Agreement.

Article II
Execution of Grant Activities

2.01. **Objectives and Description.** The objective of the Grant is to enhance transparency and accountability in the Turkish public sector through the provision of support to its institutions in addressing implementation challenges of the public financial management reform.

The Grant Activities consist of the provision of consultants' services, Training and Workshops and Operational Expenses for the following Parts:

**Part A: Development of a Program Classification and Program Structure**

(i) Preparation of an implementation plan for the adoption of program-based budgeting by the public administrations, including preparation of a management plan defining activities, their sequencing, analysis of system and human resources needs and institutional roles and responsibilities.

(ii) Preparation of guides and manuals for budget preparation and implementation, program costing, cost-benefit and cost-efficiency analyses, monitoring and evaluation, program evaluation and reporting.

(iii) Capacity building activities in the Ministry of Finance and public administrations: preparation of good practices paper including other country experiences, training events on program development, design of performance indicators and budget negotiation techniques, awareness raising activities at the managerial level, and launch of an online library.

**Part B: Enhanced Implementation of Public Internal Financial Control Framework**

(i) Enhancing the central harmonization unit's capacity in executing its monitoring and oversight role, including updating internal controls standards and revising the internal controls manual in line with COSO 2013, preparing a risk management manual, and designing risk management software for public administrations.

(ii) Increasing the awareness of the public financial control framework at public institutions and supporting their capacities, including the piloting of the internal controls framework and risk management manual in public administrations with different budgetary structures (e.g. central budget, special budget, local administration, university) and organizing corresponding dissemination events to share the experiences.
Part C: Enhancing the Accounting and Reporting System to Promote Accountability

(i) Preparing a policy note on central government accounting and financial reporting practices with comparable country experiences, thereby contributing to the work of the working group of the Turkish Court of Accounts and Ministry of Finance ("MOF"), established to address the reporting issues at the general budget institutions.

(ii) Analyzing international experience with public accounting and reporting systems, including adoption of International Public Sector Accounting Standards (IPSAS), to determine the differences with the current applications in Turkey, thereby contributing to development of the policy on how to record and value public property. Capacity building and training activities will be conducted to support the application of the policy, equipping MOF with the skills to prepare a comprehensive registry of state property and undertake a valuation study to be eventually reflected in the accounting records as a result of these activities.

(iii) Capacity building and training activities for the development of a policy to capture the contractual commitments of public administrations, including establishing linkages with the public procurement system.

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 Finance (the "Project Implementing Entity") 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 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 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 shall prepare the Grant Activities Reports in accordance with the provisions of Section 2.06 of the Standard Conditions. The Grant Activities Report shall cover the period of one calendar year, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(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 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 shall ensure that interim unaudited financial reports for the Grant Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the
end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have the Financial Statements for the Grant Activities audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each fiscal year shall be furnished to the World Bank not later than six months after the end of the fiscal year of the Recipient.

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:


(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 (revised July 2014) (“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 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 (including logistical and organization services for Training and Workshops) 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 Procurement Plan shall identify those contracts which shall be subject to Prior Review by the World Bank. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures

(a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) the Standard Conditions; (ii) this Section; and (iii) 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, Training and Workshops, and Operational Expenses</td>
<td>780,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>780,000</td>
<td></td>
</tr>
</tbody>
</table>

(b) For the purpose of this Section 3.01:

(i) “Training and Workshops” means (i) costs associated with securing the services of trainers and workshop speakers including their travel and subsistence costs, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, translation and other costs directly related to training courses and workshop preparation and implementation; and (ii) other costs directly related to training courses and workshop preparation and implementation;

(ii) “Operational Expenses” means office expenses such as printing, translation, advertisement and similar costs directly related to the operation of the Project Implementing Entity.
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 November 30, 2016.

### 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:

   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)  
   Facsimile: 64145 (MCI)  
   or 1-202-477-6391