

SBF Project Implementation Monitoring Report

Turkey: Turkey Gas Storage Expansion Project

1. Project Information

Project ID:	000062	Investment Number:	L0062A
Member:	Turkey	Region:	Western asia
Sector:	Energy	Sub-sector:	Oil and gas transmission and distribution
AIB Financing Type:	Loan: 600 USD million	Co-financier(s):	WB-led
E&S category:	A	Borrower:	Boru Hattari Ile Petrol Tasima A.S. (BOTAS)
Red Flags Assigned:	2	Monitoring Regime:	Enhanced Monitoring- Level I
Implementing Agency:	Boru Hattari Ile Petrol Tasima (BOTAS)		
Project Team Leader:	Hari Bhaskar		
Project Team Members:	Henri de Branche, Senior Environmental Specialist Giacomo Ottolini, Procurement Consultant Shonell Robinson, Financial Management Specialist		
Completed Site Visits by AIB:	Sep, 2020 Missions conducted in Aug 2018, Feb 2019, Sep 2019, Mar 2020, Jun 2020 and Sep 2020		
Planned Site Visits by AIB:	Jun, 2021 Planned virtual mission and follow-up action on partial suspension		

2. Project Summary and Objectives

The project objective is to increase the reliability and security of Turkey's gas supply by expanding underground gas storage capacity. The main components are

- Gas storage expansion facilities comprising the entire civil, mechanical, electrical and instrumentation works including water and brine pipelines, surface facilities, sub surface facilities, electricity supply and instrumentation control
- Supervision consultancy for supervising the construction and installation of the facilities
- E&S consultancy for monitoring and compliance of ESIA and RAP

The project is co-financed with IBRD. AIB and IBRD financing USD 600 million respectively. IBRD has already financed the original gas storage project in the same location (current project is an expansion project).

3. Key Dates

Approval:	Jun. 24, 2018	Signing:	Jun. 27, 2018
Effective:	Jul. 17, 2018	Restructured (if any):	
Orig. Closing:	Oct. 31, 2024	Rev. Closing (if any):	

4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	600	b) Cancellation (if any):	
c) Disbursed:	265.97	d) Most recent disbursement: (amount / date)	11.95, Mar. 24, 2021
e) Undisbursed:	334.03	f) Disbursement Ratio(%) ¹ :	44.3

¹ Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e., $f = c / (a - b)$

5. Project Implementation Update

The loan has been partially suspended by World Bank and AIB due to E&S non-compliance issues. The main issues are delayed preparation of vulnerability assessment report and the consequent delayed vulnerability assessment payments, inadequate OHS implementation practices, and progress in civil construction works of the transmission lines without updating the resettlement action plan (and thereby missing potential compensation payments).

Subsequent to the E&S non-compliance issue flagged in the earlier missions, a follow-up of these issues was done during and after the September 2020 mission. World Bank had issued a Management Letter in early November 2020 to BOTAS listing the E&S non-compliance issues and Occupational Health and Safety (OHS)

issues. The letter also recorded the mutual agreement between BOTAS and the lenders that BOTAS will attend to these issues and will complete its actions by December 24, 2020. Further follow-up in January 2021 revealed that many of the actions promised by BOTAS have not been taken. After a few rounds of discussions among World Bank, AIIB and BOTAS, World Bank decided to partially suspend the loan following which AIIB too has notified BOTAS of partial suspension.

World Bank notified BOTAS of partial suspension on April 15, 2021 while AIIB issued the partial suspension notice on April 16, 2021. The situation will be reviewed in 30 days after the suspension notice was issued.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Tuz Golu gas storage expansion facilities (USD590 million)	Top hole drilling, fresh and brine discharge pipelines, and energy transmission works ongoing. Approximately 35-40% of the works are completed. Delays experienced in equipment supply due to Covid 19 impact.	Non-compliance has resulted in partial suspension of the loan by World Bank and AIIB	Major procurement completed.
Component 2: Supervision consultancy (USD8 million)	Contract awarded and the consulting firm is on board.	N/A	Completed
Component 3: ESIA and RAP monitoring consultancy (USD2 million)	Contract awarded and the consulting firm is on board.	N/A - this consultant is monitoring E&S compliance of works at the project site but has no E&S compliance issues themselves.	Completed

Financial Management:

BOTAS' audit report was received in Oct 2020 while the project audit report is pending. World Bank is following up with the borrower. The delay is mainly a consequence of the pandemic.

6. Status of the Grievance Redress Mechanism (GRM)

GRM has been established and is functional. About 20 grievances are open. BOTAS in the process of attending to them. Some of the open grievances relate to additional demands / requests from the landowners on land acquisition and employment opportunities.

7. Results Monitoring

Actual results of end 2020 were originally supposed to be measured in Q1 2021 but is delayed due to restriction of movements induced by the pandemic. Some of the indicators are likely to be achieved later than projected due to the pandemic related delays.

A comprehensive review of the project status including the status of the results indicators will be done during the next mission and once the suspension issue is resolved.

Baseline Year: Jun. 24, 2018 End Target Year: Oct. 31, 2024

Project Objective Indicators #1

Reduction of gas supply curtailments (billion cubic meter)

Year	Target	Actual	Others, if any
Dec. 31, 2020	0	1.5bcm as of Sep 2020. End 2020 actuals to be measured in 2021 - delayed due to Covid 19 impact.	

Project Objective Indicators #2

Reduction of spot LNG purchases (%)

Year	Target	Actual	Others, if any
Dec. 31, 2020	0	0	Actual reduction is estimated to happen from 2022, as per the original project design

Project Objective Indicators #3

Increase in gas storage capacity (billion cubic meter)

Year	Target	Actual	Others, if any
Dec. 31, 2020	0	0	with first reservoir expected to be commissioned in 2022, storage capacity will start coming into play from 2022 and not earlier.

Intermediate Result Indicators #1

Turkish consumers benefitting from gas supply (million)

Year	Target	Actual	Others, if any
Dec. 31, 2020	15	15.74 as of September 2020	

Intermediate Result Indicators #2

Implementing RAP to compensate project affected persons (%)

Year	Target	Actual	Others, if any
Dec. 31, 2020	100	Actual for 2020 to be measured in 2021. But expected to be a low number.	Measurement delayed. Also, one of the reasons for partial suspension is failure to update RAP in time and the delays in providing compensation.

Intermediate Result Indicators #3

Registered grievances addressed within the stipulated time frame (%)

Year	Target	Actual	Others, if any
Dec. 31, 2020	60	2020 actuals to be measured in 2021 - delayed due to Covid 19 impact.	

Intermediate Result Indicators #4

Indicator #4: Registered grievances submitted by women addressed within the stipulated time frame (%)

Year	Target	Actual	Others, if any
Dec. 31, 2020	60	2020 actuals to be measured in 2021 - delayed due to Covid 19 impact.	

Intermediate Result Indicators #5

Number of community consultations held for women in proportion to the total number of consultations held (Ratio)

Year	Target	Actual	Others, if any
Dec. 31, 2020	25	2020 actuals to be measured in 2021 - delayed due to Covid 19 impact.	

Remarks: There is a probability that achieving some of the intermediate results indicators target numbers could be delayed due to lack of progress attributable to the pandemic.

Our missions are always a good opportunity to verify the progress of results indicators. While BOTAS is working on remedial actions to trigger lifting of suspension,

the pandemic has also played a role in delayed measurement of results indicators for 2020. We will be in continuous touch with BOTAS to measure the results for 2020 as soon as the situation allows BOTAS team to measure them.