

SBF Project Implementation Monitoring Report

Turkey: TKYB Sustainable Energy and Infrastructure On-Lending Facility

1. Project Information

Project ID:	000141	Investment Number:	L0141A
Member:	Turkey	Region:	Western asia
Sector:	Finance	Sub-sector:	Intermediary financing
AIB Financing Type:	Loan: 200 USD million	Co-financier(s):	Standalone
E&S category:	FI	Borrower:	Türkiye Kalkınma ve Yatırım Bankası A.Ş. (TKYB)
Red Flags Assigned:	0	Monitoring Regime:	Regular Monitoring
Implementing Agency:	Türkiye Kalkınma ve Yatırım Bankası A.Ş.(TKYB)		
Project Team Leader:	Francisco-José Fortuny Carod		
Project Team Members:	Komron Rajabiyon, Investment Associate Chee Wee Tan, Senior Environmental and Social Specialist Giacomo Ottolini, Procurement Consultant Shonell Robinson, Financial Management Specialist		
Completed Site Visits by AIB:	No site visits have been completed due to Covid-19 since the loan became effective in Q1 2020.		
Planned Site Visits by AIB:	May, 2021 Planned Virtual Mission by AIB.		

2. Project Summary and Objectives

The Project's objective is to advance Turkey's renewable energy and energy efficiency infrastructure by providing long-term financing (Sub-loans) through TKYB to privately-owned companies in Turkey (Sub-borrowers). The Sub-loans will support investments in renewable energy and energy efficiency projects (Sub-projects), including wind, solar, geothermal, and biomass. The Project is expected therefore increase the installed capacity of renewable energy power generation and improve the energy efficiency of existing installations in Turkey, two key priority areas for the country. The Project's key results will be measured by the following: (1) amount of renewable energy generation capacity installed (MW), (2) greenhouse gas emissions reduction measured as tonnes of carbon dioxide (CO₂) equivalent per year, (3) primary energy consumption as gigawatt-hours saved (GWh), (4) amount invested in renewable energy projects (USD million), (5) amount invested in energy efficiency projects (USD million). The expected beneficiaries are the independent power producers and the energy consumers, who will receive clean indigenous renewable energy with positive environmental impacts.

3. Key Dates

Approval:	Nov. 12, 2019	Signing:	Dec. 10, 2019
Effective:	Jan. 14, 2020	Restructured (if any):	
Orig. Closing:	Mar. 31, 2024	Rev. Closing (if any):	

4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	200	b) Cancellation (if any):	
c) Disbursed:	100	d) Most recent disbursement: (amount / date)	50, Sep. 8, 2020
e) Undisbursed:	100	f) Disbursement Ratio(%) ¹ :	50

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 became effective on January 14, 2020. Two disbursements amounting to USD 100 million were carried out on September 8, 2020 (USD 50 million), and December 23, 2020 (USD 50 million). The disbursements were used by the Borrower to support four (4) wind power plant projects representing 150MW of combined installed capacity and USD 172 million of total investment. The Borrower and the Bank have identified and approved a total of seven (7) sub-projects,

including six (6) wind projects and one (1) biomass project, representing a total of 225MW of installed capacity and USD 274 million of total investment. Once they are fully disbursed, the seven sub-projects will have consumed USD 155 million or 77 percent of the facility (the current disbursement ratio is 50 percent). The Bank is currently reviewing two (2) wind power plant sub-loan proposals amounting to USD 44 million to support the development of 139MW of total installed capacity and USD 139 million total cost. If the new sub-loans are approved, the facility would have been fully allocated. The Borrower has already disbursed USD 152 million out of USD 199 million it has committed to the combined Sub-projects. The Borrower has completed its environmental and social management system upgrade, within three months from the signing of the Loan Agreement and is also on track with the corporate deadlines set out in the corporate strategy development plan.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Renewable Energy and Energy Efficiency On-Lending Facility (USD 200 million)	All Sub-projects are currently under construction.	In compliance, subject to individual sub-project assessment and monitoring. The first E&S monitoring report has been submitted and is under review.	In compliance, subject to individual sub-project assessments.

Financial Management:

The interim financial report as of December 31, 2020, was submitted on March 15, 2021. The report is deemed to be satisfactory as it reconciles with the Bank's records and relevant documentation provided. The audit for the financial year ended December 31, 2021, is underway and the audit report is due by June 30, 2021. The compliance of the Sub-borrowers with the Sub-loan covenants, the classification of the loans, and the financial management systems will be reviewed as part of the upcoming virtual mission.

6. Status of the Grievance Redress Mechanism (GRM)

The Borrower has established an External Communication Mechanism (Grievance Redress Mechanism equivalent at FI level) and required sub-borrowers to establish a GRM at the sub-project level. The Borrower indicates that GRMs have been adequately established and grievances received at the sub-project level are generally addressed and closed within determined timelines. Reportedly, no complaint regarding the AIIB supported sub-projects was filed with TKYB.

7. Results Monitoring

The exact intermediate and end targets will depend on the specific projects to be financed by the Bank's loan and will be finalized during the project's implementation and subject to the implementation of the Sub-projects.

Baseline Year: Jan. 1, 2019 End Target Year: Jan. 1, 2024

Project Objective Indicators #1

Total renewable energy generation capacity installed (MW)

Year	Target	Actual	Others, if any
Sep. 30, 2020	N/A	N/A	Only completed renewable energy generation installed capacity to be included.

Project Objective Indicators #2

Reduction of greenhouse gas emissions, in tons of carbon dioxide equivalent per year (tons)

Year	Target	Actual	Others, if any
Sep. 30, 2020	N/A	N/A	To be calculated on the basis of completed and operating projects.

Project Objective Indicators #3

Primary energy consumption saved (GWh)

Year	Target	Actual	Others, if any
Sep. 30, 2020	N/A	N/A	To be calculated on the basis of completed and operating projects.

Project Objective Indicators #4

Amount invested in renewable energy projects (USD million)

Year	Target	Actual	Others, if any
Sep. 30, 2020	N/A	100	On the basis of disbursed exposure.

Project Objective Indicators #5

Amount invested in energy efficiency projects (USD million)

Year	Target	Actual	Others, if any
Sep. 30, 2020	N/A	N/A	No allocations have been made to energy efficiency investments.

Intermediate Result Indicators #1

N/A

Year	Target	Actual	Others, if any
Sep. 30, 2020	N/A	N/A	N/A

Remarks: The actual results in the table reflect the Sub-projects for which a disbursement has been made. The physical implementation targets will be updated once the Sub-projects once are complete and start operations.