

Türkiye : Türkiye COVID-19 Credit Line Project

1. Project Information

Project ID:	P000381	Instrument ID:	L0381A;L0381B
Member:	Türkiye	Region:	Western Asia
Sector:	CRF-Finance/Liquidity	Sub-sector:	N/A
Instrument type:	<input checked="" type="checkbox"/> Loan:500.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	
ES category:	FI	Borrowing Entity:	Development and Investment Bank of Türkiye; Industrial Development Bank of Türkiye
Implementing Entity:	Development and Investment Bank of Türkiye; Industrial Development Bank of Türkiye		
Project Team Leader:	Changyu Sun		
Responsible DG:	Najeeb Haider		
Responsible Department:	BNK2		
Project Team Members:	Jinwen Ye, Team Member; Liu Yang, Project Counsel; Bernardita Saez, Alternate Counsel; Rui Xiang, OSD - Financial Management Specialist; Calvin Quek, OSD - Environment Specialist; Yunlong Liu, OSD - Procurement Specialist; Francisco-José Fortuny Carod, Back-up PTL		
Completed Site Visits by AIIB:	<p>Aug, 2021 On August 12 and 13, 2021, AIIB conducted a two-day virtual monitoring mission with TKYB. The mission focused on the overall project implementation status, portfolio performance, procurement, E&S, and financial management aspects. The Project Team also discussed with TKYB on Apex lending implementation progress.</p> <p>Nov, 2021 On November 24 and 25, 2021, AIIB conducted a two-day virtual monitoring mission with TSKB. The mission focused on the overall project implementation progress and performance as well as procurement, E&S, and financial management aspects.</p> <p>Nov, 2022 On November 29 and 30, 2022, AIIB conducted a virtual monitoring mission with TKYB. The mission focused on the overall project implementation status and performance, procurement, E&S, and financial management aspects. The Project Team also discussed with TKYB on Apex lending implementation progress.</p> <p>Dec, 2022 On December 5, 2022, AIIB conducted a virtual monitoring mission with TSKB. The mission focused on the overall project performance, procurement, E&S, and financial management aspects.</p>		
Planned Site Visits by AIIB:	The project team plans to conduct a monitoring mission in 2023.		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		

Previous Red Flags Assigned Date:	2022/06
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2. Project Summary and Objectives

Türkiye COVID-19 Credit Line Project is the 1st CRF project to support companies as a general credit line. It provides sovereign-backed short-term credit lines to two of Türkiye's development banks, Türkiye Sınai Kalkınma Bankası (TSKB) and Türkiye Kalkınma ve Yatırım Bankası (TKYB) to alleviate liquidity constraints faced by infrastructure-related companies, mid-caps and small-medium enterprises (SMEs).

The Project has three components: (a) direct on-lending to new/existing TKYB clients; (b) Apex lending to sub-borrowers through TKYB's partner financial intermediaries (PFIs) such as banks; and (c) direct on-lending to new/existing TSKB clients.

The facility will be on-lent in the form of sub-loans to provide liquidity, and it will not support large capital infrastructure investment financing. Eligible sub-borrowers are private entities registered and operating primarily in Türkiye, with its main activity being an eligible sector aligned with AIIB's strategy, as detailed in the Operational Manual (OM).

For direct lending, both SMEs and non-SMEs are eligible. For Apex lending, only SMEs sub-borrowers are eligible.

3. Key Dates

Approval:	Jun. 30, 2020	Signing:	Jul. 30, 2020
Effective:	Dec. 10, 2020	Restructured (if any):	
Orig. Closing:	Dec. 18, 2021	Rev. Closing (if any):	Jun. 18, 2023; Dec. 18, 2022; Dec. 18, 2022;

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	500.00	Most recent disbursement (amount/date):	69.25/Nov. 21, 2022
Undisbursed:	0.00	Disbursement Ratio (%) ¹ :	100.00

5. Project Implementation Update

TKYB Loan (L0381A):

- TKYB Loan became effective on December 10, 2020.
- In October 2021, the Loan Closing Date is extended by one year from the original December 18, 2021, to December 18, 2022. Subsequently, the Loan Closing Date is further extended by another 6 months, resulting in an effective Loan Closing Date in June 2023.
- In September 2022, the Loan has been amended to reallocate USD 70 million from Apex lending to direct on-lending, with no change being made to the aggregate Loan amount. The amendment has been completed, and the Apex lending and direct on-lending loan amount are now revised to be USD 30 million and USD 270 million, respectively.

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

- Under the direct lending amount, the full USD 270 million has been disbursed by AIIB.
- Under the Apex lending amount, the full USD 30 million has been disbursed by AIIB.

TSKB Loan (L0381B):

- TSKB Loan became effective on November 25, 2020.
- TSKB loan has been fully utilized as of April 18, 2022.
- In order to continue monitoring the Project, and given that the closing date of L0381A is extended, the loan account closing procedure for L0381B will be performed together with L0381A in 2023.

Components	Physical Progress	Environmental & Social Compliance	Procurement
1. Direct lending to TKYB clients	TKYB Direct lending is fully disbursed by AIIB, with USD 200 million allocated to sub-borrowers.	The borrower has established an Environmental and Social Management System (ESMS) and E&S processes in accordance with the requirements stated in the Operational Manual (OM). The borrower has followed the OM and report to AIIB the E&S materials as required in the OM.	In compliance. The borrower has submitted procurement reporting by following the OM.
2. Apex lending to TKYB clients	One disbursement (USD 30 million) was made in July 2022 under Apex lending from AIIB to TKYB. TKYB has substantially disbursed the full USD 30 million to a PFI. The Apex lending is currently under implementation (identifying and assessing potential sub-borrowers).	TKYB has confirmed that the PFI has established an ESMS and E&S processes in accordance with the requirements stated in the OM.	In compliance.
3. Direct lending to TSKB clients	The loan is fully utilized.	The borrower has established an ESMS and E&S processes in accordance with the requirements stated in the OM. The borrower has followed requirements in the OM and report to AIIB the E&S materials.	In compliance.

Financial Management:

No significant Financial Management (FM) related matters have been noted up to December 31, 2022.

Both TSKB and TKYB continue to have in place adequate FM arrangements which are deemed to be adequately functioning. Both two banks have released their financial reports, including Annual Reports, Quarterly Financial Reports and Auditor's Reports. The reports are published on their websites

(<https://www.tskb.com.tr/en/investor-relations/financial-information>, <https://kalkinma.com.tr/en/about-us/investor-relations/financial-information/auditors-report>).

Both borrowers have submitted project audited reports (for year 2021) to AIIB with clean opinion issued. The reports are deemed to be acceptable.

6. Status of the Grievance Redress Mechanism (GRM)

Both banks have established an External Communication Mechanism, allowing them to receive and address grievances relevant to their E&S policy and processes, and the impacts of the activities they finance. Both banks have assigned responsibilities to follow up, assess, and respond to the issues in established processes.

As of this reporting period, TSKB has reported that its own GRM and all sub-borrower GRMs are functioning. No complaints were received at either the bank's or sub-borrower GRMs during this reporting period.

As of this reporting period, TKYB has reported that its own GRM and all sub-borrower GRMs are functioning. No complaints were received at the bank's GRM, however complaints were received at three sub-borrowers (out of a total of 23 sub-borrowers). All of the complaints received by sub-borrowers were reported as has having been adequately addressed and dealt with.

GRM can be found on TSKB / TKYB's websites.

TSKB: <https://www.tskb.com.tr/en/about-us/contact-info/contact-form> TKYB: <https://kalkinma.com.tr/en/contact-us/contact-information>

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

The Project is under implementation, and is fully disbursed by AIIB as at December 31, 2022.
Applicable project objective indicators are summarized below.

Remarks:

N/A

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values																	Frequency	Responsibility	Comments
			Baseline		2020		2021		2022		2023		2024		2025		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year			
Amount of Financing	Project	USD	2020	0	0	145.25	300	281.265	475	500	475		475		475			475		Annual	Borrowers	
Amount of SME financing	Project	USD	2020	0	0	0	100	13.659	40	14.112	40		40		40			30		Annual	Borrowers	
Non-performing Loans in the Portfolio (TSKB)	Project	%	2020	<5%	<5%	0%	<5%	0%	<5%	0%	<5%		<5%		<5%			<5%		Annual	Borrowers	
Non-performing Loans in the Portfolio (TKYB)	Project	%	2020	<5%	<5%	0%	<5%	0%	<5%	0%	<5%		<5%		<5%			<5%		Annual	Borrowers	
Number of Sub-borrowers (Direct Lending)	Project	#	2020	0	0	2	10	25	30	44	30		30		30			30		Annual	Borrowers	
Utilization Rate (Direct Lending)	Project	%	2020	0%	0%	36%	60%	70%	95%	100%	95%		95%		95%			95%		Annual	Borrowers	
Percentage of Loan Value in Group 1 and 2 Sectors (Direct Lending)	Project	%	2020	0%	0%	87%	50%	76%	70%	82%	70%		70%		70%			70%		Annual	Borrowers	
Non-performing Loans (Direct Lending)	Project	%	2020	0%	0%	0%	<5%	0%	<5%	0%	<5%		<5%		<5%			<5%		Annual	Borrowers	
Number of Partner Financial Institutions (Apex Lending)	Project	#	2020	0	0	0	2	0	1	1	1		1		1			1		Annual	Borrowers	
Number of Sub-borrowers (Apex Lending)	Project	#	2020	0	0	N/A	10	N/A	6	N/A	6		6		6			6		Annual	Borrowers	
Number of SME Sub-borrowers (Apex Lending)	Project	#	2020	0	0	N/A	10	N/A	6	N/A	6		6		6			6		Annual	Borrowers	
Utilization Rate (Apex Lending)	Project	%	2020	0%	0%	0	60%	0	95%	100%	95%		95%		95%			95%		Annual	Borrowers	
Percentage of Loan Value in Group 1 and 2 Sectors (Apex Lending)	Project	%	2020	0%	0%	N/A	50%	N/A	70%	N/A	70%		70%		70%			70%		Annual	Borrowers	

Non-performing Loans (Apex Lending)	Project	%	2020	0%	0%	N/A	<5%	N/A	<5%	N/A	<5%		<5%		<5%			<5%		Annual	Borrowers	
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Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments
			Baseline		2020		2021		2022		2023		2024		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			