

## 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:	
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 (Q1: 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 (Private Sector) 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. Aug, 2021 A virtual monitoring visit was carried out in July 2021, involving Investment Operations, Environment, Social, Procurement and Financial Management Specialists. The Complaints, Evaluation and Integrity		
Planned Site Visits 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 to 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 (CO<sub>2</sub>) 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:	200	d) Most recent disbursement: (amount / date)	50, Sep. 24, 2021
e) Undisbursed:	0	f) Disbursement Ratio(%) <sup>1</sup> :	100

<sup>1</sup> 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 was declared effective on January 14, 2020. As of September 27, 2021, the Loan has been fully disbursed as follows:

- First disbursement: under advance method, for USD 50,000,000, made on September 8, 2020.
- Second disbursement: under advance and reimbursement methods, for USD 50,000,000, made on December 23, 2020.
- Third disbursement: under advance and reimbursement methods, for USD 50,000,000, made on June 2, 2021.
- Fourth disbursement: under advance and reimbursement methods, for USD 50,000,000, made on September 24, 2021.

AIIB has approved eight renewable energy sub-projects loans amounting to approximately USD180 million out of USD200 million. These include 7 wind farms and 1 biomass plant representing 315 MW of installed capacity. The total cost of the approved sub-project portfolio is USD 380 million. Five sub-projects (131MW of installed capacity) have been completed as of July 31, 2021.

Another two (2) wind power plant sub-loan proposals (USD20 million) will support the development of 159MW of total installed capacity and USD 200.4 million total cost. Once the new sub-loans are approved, the facility will be fully allocated to support 474MW of renewable energy generation installed capacity and USD615.8 million of total investments.

The Borrower has completed its environmental and social management system upgrade, within three months from the signing of the Loan Agreement and has also made progress with the corporate development milestones agreed with the Bank at the approval stage.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Renewable Energy and Energy Efficiency On-Lending Facility (USD 200 million)	Five of the eight approved sub-projects (131MW of installed capacity) have been completed as of July 31, 2021.	In compliance, subject to individual sub-project assessment and monitoring. The first and second annual E&S monitoring reports has been submitted and reviewed by the Bank. No E&S red flags were identified during the last virtual mission (August 2021). The Borrower is in compliance with the key project covenants related to E&S.	In compliance, subject to individual sub-project assessments. No Procurement red flags were identified during the last virtual mission (August 2021). The Borrower is in compliance with the key project covenants related to Procurement.

### Financial Management:

TKYB continues to have in place adequate financial management arrangements which are deemed to be adequately functioning. Based on the transaction review conducted during the virtual mission on August 12-13, 2021 there is evidence of proper review, authorization, and segregation of duties over the projects' transactions. No significant internal control deficiencies were noted. The Interim Financial Reports (IFR) for the semester ended June 30, 2021, were submitted in a timely manner and deemed to be acceptable by the Bank's team. The next IFR will become due February 14, 2022. With respect to the annual audit reports, the L0141A audit report for the financial year which ended December 31, 2020, was submitted in a timely manner and deemed to be acceptable by the Bank. The Auditors issued an unqualified opinion (clean) on the financial statements, which reconcile with AIIB's records, and the unaudited financial reports submitted to the Bank during the financial year. The Borrower is in compliance with the key project covenants related to Financial Management.

## 6. Status of the Grievance Redress Mechanism (GRM)

The Borrower has established an External Communication Mechanism (ECM) (a GRM equivalent at FI level) and required sub-borrowers to establish a GRM at the sub-project level. The Borrower indicates that GRMs have been 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 via TKYB's ECM. The ECM can be found on TKYB's website: Environmental Complaint Mechanism ([kalkinma.com.tr](http://kalkinma.com.tr)) and Contact Information ([kalkinma.com.tr](http://kalkinma.com.tr)) in both English and Turkish. During the monitoring mission of August 2021, the E&S specialist provided advice to TKYB to improve the visibility and transparency of the ECM as well as the GRMs of the sub-project level.

## 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
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Jul. 31, 2021	140	131	Only completed renewable energy generation installed capacity to be included.
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## Project Objective Indicators #2

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

Year	Target	Actual	Others, if any
Dec. 31, 2020	N/A	N/A	To be calculated on the basis of completed and operating projects (annual measure).

## Project Objective Indicators #3

Primary energy consumption saved (GWh)

Year	Target	Actual	Others, if any
Dec. 31, 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
Jul. 31, 2021	N/A	185	Calculated on the basis of completed projects' total cost

## Project Objective Indicators #5

Amount invested in energy efficiency projects (USD million)

Year	Target	Actual	Others, if any
Jul. 31, 2021	N/A	0	No allocations have been made to energy efficiency investments.

## Intermediate Result Indicators #1

N/A

Year	Target	Actual	Others, if any
Jul. 31, 2021	N/A	N/A	N/A

**Remarks:**