

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	Co-financier(s):	
ES category:	FI	Borrowing Entity:	Development and Investment Bank of Türkiye; Industrial Development Bank of Türkiye
Implementing Entity:	Industrial Development Bank of Türkiye, Development and Investment Bank of Türkiye		
Project Team Leader:	Stefen Shin		
Responsible DG:	Najeeb Haider		
Responsible Department:	BNK2		
Project Team Members:	Francisco-José Fortuny Carod, 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; Changyu Sun, Back-up PTL		
Completed Site Visits by AIIB:	Aug, 2021 On August 12 and 13, 2021, AIIB conducted a two-day virtual monitoring mission with TKYB for the COVID-19 Credit Line Project focused on the overall project update, portfolio performance, procurement, E&S, and financial management aspects. The Project Team also discussed with TKYB on Apex lending progress. Nov, 2021 On November 24 and 25, 2021, AIIB conducted a two-day virtual monitoring mission with TSKB for the COVID-19 Credit Line Project focused on the overall project update and performance, procurement, E&S, and financial management aspects.		
Planned Site Visits by AIIB:	The project team plans to conduct a virtual monitoring mission in 2022 given the restrictions on travel caused by the pandemic. The project team will plan for physical site visits should travel restrictions get lifted.		
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2021/12		

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 capex 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):	Dec. 18, 2022; Dec. 18, 2022;

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	430.75	Most recent disbursement (amount/date):	30.00/Jul. 06, 2022
Undisbursed:	69.25	Disbursement Ratio (%): ¹ :	86.15

5. Project Implementation Update

TSKB Loan (L0381B):

- TSKB loan became effective on November 25, 2020.
- TSKB loan has been fully utilized as of June 30, 2022.

TKYB Loan (L0381A):

- TKYB loan became effective on December 10, 2020.
- The Loan Closing Date is extended to December 18, 2022.
- Direct lending: USD 181.5 million has been utilized as of June 30, 2022.
- Apex lending: USD30 million was disbursed on July 6, 2022. At the request of the Borrower, the Project Team is evaluating reallocation of apex lending and direct lending amount of the TKYB loan.

Components	Physical Progress	Environmental & Social Compliance	Procurement
1. Direct lending to TKYB clients	TKYB Direct lending is fully disbursed, of which	The borrower has established an Environmental and Social	In compliance.

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.

	USD181.5 million has been utilized.	Management System (ESMS) and E&S processes in accordance with the requirements stated in the Operational Manual (OM). The borrower has followed requirements in the OM and report to AIIB the E&S materials, which has been reviewed by the Project Team.	
2. Apex lending to TKYB clients	One disbursement (USD 30 million) was made on July 6, 2022 under Apex lending.	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, which has been reviewed by the Project Team.	In compliance.

Financial Management:

No other significant Financial Management related matters have been noted up to June 30, 2022.

Both TSKB and TKYB have released their financial reports on time, 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>).

Per requirements in the OM, TSKB has provided the 2021 Project Audit Report, which is being reviewed by the Project Team. It is expected TKYB will provide the 2021 Project Audit Report later in 2022.

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.

No grievance has been received to date for sub-loans under the Türkiye COVID-19 Credit Line Project.

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

The Project is under implementation, with 86.15% of the total committed amount disbursed as of July 2022. Applicable project objective indicators are summarized below.

Project Objective Indicators #1

Portfolio Level Indicator: Amount of Financing (Amount disbursed by AIIB)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	0	USD 145.250 million	
Jun. 30, 2021	N/A	USD 281.265 million	Target value is set on an annual basis.
Dec. 31, 2021	300	USD 281.265 million	Disbursement requests of USD 100 million from TKYB and USD 8.04 million from TSKB were received in Dec. 2021, and both were disbursed within Jan. 2022.
Jun. 30, 2022	N/A	USD 430.750 million	Target value is set on an annual basis.

Project Objective Indicators #2

Portfolio Level Indicator: Amount of SME Financing (Amount of financing that is allocated to SMEs)

Year	Target	Actual	Comments, if any
Jun. 30, 2021	N/A	USD 5.659 million	Target value is set on an annual basis.
Dec. 31, 2021	100	USD 13.659 million	Apex lending component, which is SME-focused, was not disbursed, hence the delay in achieving the SME financing target indicators.
Jun. 30, 2022	N/A	USD 14.112 million	Target value is set on an annual basis.

Project Objective Indicators #3

Portfolio Level Indicator: Nonperforming Loans in the Portfolio, TSKB

Year	Target	Actual	Comments, if any
Dec. 31, 2020	<5%	0%	
Jun. 30, 2021	N/A	0%	Target value is set on an annual basis.
Dec. 31, 2021	<5%	0%	
Jun. 30, 2022	N/A	0%	Target value is set on an annual basis.

Project Objective Indicators #4

Portfolio Level Indicator: Nonperforming Loans in the Portfolio, TKYB

Year	Target	Actual	Comments, if any
Dec. 31, 2020	<5%	0%	
Jun. 30, 2021	N/A	0%	Target value is set on an annual basis.
Dec. 31, 2021	<5%	0%	
Jun. 30, 2022	N/A	0%	Target value is set on an annual basis.

Project Objective Indicators #5

Direct Lending Indicator: Number of Sub-borrowers (Number of sub-borrowers that are already allocated under the credit line, direct lending part)

Year	Target	Actual	Comments, if any
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Dec. 31, 2020	0	2	
Jun. 30, 2021	N/A	24	Target value is set on an annual basis.
Dec. 31, 2021	10	25	
Jun. 30, 2022	N/A	40	Target value is set on an annual basis.

Project Objective Indicators #6

Direct Lending Indicator: Utilization Rate (Amount disbursed by AIIB as % of the total direct lending size)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	0%	36%	
Jun. 30, 2021	N/A	70%	Target value is set on an annual basis.
Dec. 31, 2021	60%	70%	
Jun. 30, 2022	N/A	100%	Target value is set on an annual basis.

Project Objective Indicators #7

Direct Lending Indicator: Percentage of Loan Value in Group 1 and 2 Sectors (Amount of financing that is already allocated to Group 1 and 2 sectors as % of the amount already allocated, direct lending part)

Year	Target	Actual	Comments, if any
Jun. 30, 2021	N/A	77%	Target value is set on an annual basis.
Dec. 31, 2021	50%	76%	
Jun. 30, 2022	N/A	83%	Target value is set on an annual basis.

Project Objective Indicators #8

Direct Lending Indicator: Nonperforming Loans in the Sub-portfolio

Year	Target	Actual	Comments, if any
Dec. 31, 2020	<5%	0%	
Jun. 30, 2021	N/A	0%	Target value is set on an annual basis.
Dec. 31, 2021	<5%	0%	
Jun. 30, 2022	N/A	0%	Target value is set on an annual basis.

Project Objective Indicators #9

Apex Lending Indicator: Number of PFIs

Year	Target	Actual	Comments, if any
Jun. 30, 2021	N/A	N/A	Nothing under Apex lending has been disbursed. Target value is set on an annual basis.
Jan. 31, 2022	2	N/A	Nothing under Apex lending has been disbursed.
Jun. 30, 2022	N/A	1	TKYB has onboarded one PFI as of July 2022. Target value is set on an annual basis.

Project Objective Indicators #10

Apex Lending Indicator: Number of Sub-borrowers

Year	Target	Actual	Comments, if any
Jun. 30, 2021	N/A	N/A	Nothing under Apex lending has been disbursed. Target value is set on an annual basis.
Dec. 31, 2021	10	N/A	Nothing under Apex lending has been disbursed.
Jun. 30, 2022	N/A	N/A	USD30 mn Apex lending was disbursed in July 2022. Target value is set on an annual basis.

Project Objective Indicators #11

Apex Lending Indicator: Number of SME Sub-borrowers

Year	Target	Actual	Comments, if any
Jun. 30, 2021	N/A	N/A	Nothing under Apex lending has been disbursed. Target value is set on an annual basis.
Dec. 31, 2021	10	N/A	Nothing under Apex lending has been disbursed.
Jun. 30, 2022	N/A	N/A	USD30 mn Apex lending was disbursed in July 2022. Target value is set on an annual basis.

Project Objective Indicators #12

Apex Lending Indicator: Utilization Rate of the Component

Year	Target	Actual	Comments, if any
Jun. 30, 2021	N/A	N/A	Nothing under Apex Lending has been disbursed. Target value is set on an annual basis.
Dec. 31, 2021	60%	N/A	Nothing under Apex Lending has been disbursed.
Jun. 30, 2022	N/A	N/A	USD30 mn Apex lending was disbursed in July 2022. Target value is set on an annual basis.

Project Objective Indicators #13

Apex Lending Indicator: Percentage of Loan Value in Group 1 and 2 Sectors

Year	Target	Actual	Comments, if any
Jun. 30, 2021	N/A	N/A	Nothing under Apex Lending has been disbursed. Target value is set on an annual basis.
Dec. 31, 2021	50%	N/A	Nothing under Apex Lending has been disbursed.
Jun. 30, 2022	N/A	N/A	USD30 mn Apex lending was disbursed in July 2022. Target value is set on an annual basis.

Project Objective Indicators #14

Apex Lending Indicator: Nonperforming Loans in the Sub-portfolio

Year	Target	Actual	Comments, if any
Jun. 30, 2021	N/A	N/A	Nothing under Apex Lending has been disbursed. Target value is set on an annual basis.

Dec. 31, 2021	<5%	N/A	Nothing under Apex Lending has been disbursed.
Jun. 30, 2022	N/A	N/A	USD30 mn Apex lending was disbursed in July 2022. Target value is set on an annual basis.

Intermediate Result Indicators #1

N/A

Year	Target	Actual	Comments, if any
Jun. 30, 2021	N/A	N/A	N/A
Dec. 31, 2021	N/A	N/A	N/A
Jun. 30, 2022	N/A	N/A	N/A

Remarks:

N/A