

SBF Project Implementation Monitoring Report

Turkey: Turkey COVID-19 Credit Line Project

1. Project Information

Project ID:	000381	Investment Number:	L0381A, L0381B
Member:	Turkey	Region:	Western asia
Sector:	Finance/Liquidity	Sub-sector:	N/A
AIB Financing Type:	Loan: 500 USD million	Co-financier(s):	NA
E&S category:	FI	Borrower:	(i) Türkiye Sınai Kalkınma Bankası (TSKB) and (ii) Türkiye Kalkınma ve Yatırım Bankası (TKYB)
Red Flags Assigned:	0	Monitoring Regime:	Regular Monitoring
Implementing Agency:	(i) Türkiye Sınai Kalkınma Bankası (TSKB) and (ii) Türkiye Kalkınma ve Yatırım Bankası (TKYB)		
Project Team Leader:	Stefen Shin		
Project Team Members:	Francisco Fortuny, Senior Investment Operations Specialist (Co-PTL) Changyu Sun (Cassie), Investment Associate Calvin Quek, Senior Environmental Specialist Liu Yang, Counsel Shonell Robinson, Financial Management Specialist Xiaowei Guo, Procurement Specialist Yunlong Liu, Procurement Specialist		
Completed Site Visits by AIB:	None		
Planned Site Visits by AIB:	The project team plans to conduct a virtual monitoring mission in the next 12 months given the restrictions on travel caused by the pandemic. The project team will plan for physical site visits should travel restrictions get lifted.		

2. Project Summary and Objectives

Turkey 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 Turkey'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 Turkey, with its main activity being an eligible sector aligned with AIB'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:	Nov. 25, 2020	Restructured (if any):	
Orig. Closing:	Dec. 18, 2021	Rev. Closing (if any):	

4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	500	b) Cancellation (if any):	
c) Disbursed:	281.265	d) Most recent disbursement: (amount / date)	72.784, Jun. 2, 2021
e) Undisbursed:	218.735	f) Disbursement Ratio(%) ¹ :	56.253

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

TSKB Loan (L0381B): front-end fee of USD 0.5 million has been capitalized.

- TSKB loan became effective on November 25, 2020.
- 1st disbursement (USD 44.00 million) was made on December 28, 2020.
- 2nd disbursement (USD 63.23 million) was made on March 31, 2021.
- 3rd disbursement (USD 72.78 million) was made on Jun 2, 2021.

TKYB Loan (L0381A): front-end fee of USD 0.75 million has been capitalized.

- TKYB loan became effective on December 10, 2020.
- 1st disbursement (USD 100 million) was made on December 28, 2020. TKYB is in progress to report the use of advances.
- Nothing under Apex Lending has been disbursed. TKYB is undertaking the selection of the Apex Partner Financial Intermediaries.
- As of June 2021, TKYB has complied with corporate development milestones set in the Loan Agreement.

Components	Physical Progress	Environmental & Social Compliance	Procurement
1. Direct lending to TKYB clients	One disbursement (USD 100 million) has been made through advance method.	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 requirements in the OM and report to AIIB the E&S materials, which has been reviewed by the Project Team.	In Compliance
2. Apex lending to TKYB clients	No disbursement has been made yet. TKYB is in the progress of selecting the Apex Partner Financial Intermediaries.	N/A	N/A
3. Direct lending to TSKB clients	Three disbursements (USD 181 million) were made through advance and reimbursement methods.	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 significant Financial Management related matters have been noted up to June 30, 2021.

Both TSKB and TKYB have published their 2020 Annual Report and 1Q 2021 Financial Report 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 requirement in the OM, TSKB has provided the 2020 Project Audit Report in a timely manner, which was reviewed and deemed to be acceptable by the Bank's Project Team. TKYB's 2020 Project Audit Report has been waived as no disbursements to sub-borrowers were made during 2020 (waiver approved by Acting OSD Director General). The next audit will therefore cover from December 10, 2020 (Project effectiveness) to December 18, 2021 (Project closing). This audit report for the period ending December 18, 2021, will become due on June 18, 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.

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

TSKB: <http://www.tskb.com.tr/en/about-us/tskb-contact-form>

TKYB: <https://kalkinma.com.tr/en/contact-us/contact-information>

7. Results Monitoring

The Project is at mid-stage of implementation, with 56.25% of the total amount being disbursed as of June 2021 (last disbursement June 2, 2021). Applicable

project objective indicators are summarised below.

Baseline Year: Dec. 10, 2020 End Target Year: Dec. 10, 2022

Project Objective Indicators #1

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

Year	Target	Actual	Others, 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.

Project Objective Indicators #2

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

Year	Target	Actual	Others, if any
Jun. 30, 2021	N/A	USD 5.659 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	Others, if any
Dec. 31, 2020	<5%	0%	
Jun. 30, 2021	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	Others, if any
Dec. 31, 2020	<5%	0%	
Jun. 30, 2021	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	Others, if any
Dec. 31, 2020	0	2	
Jun. 30, 2021	N/A	24	Target value is set on an annual basis.

Project Objective Indicators #6

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

Year	Target	Actual	Others, if any
Dec. 31, 2020	0%	36%	
Jun. 30, 2021	N/A	70%	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 are already allocated to Group 1 and 2 sectors as % of amount already allocated, direct lending part)

Year	Target	Actual	Others, if any
Jun. 30, 2021	N/A	77%	Target value is set on an annual basis.

Project Objective Indicators #8

Direct Lending Indicator: Nonperforming Loans in the Sub-portfolio

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

Project Objective Indicators #9

Apex Lending Indicator: Number of PFIs

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

Project Objective Indicators #10

Apex Lending Indicator: Number of Sub-borrowers

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

Project Objective Indicators #11

Apex Lending Indicator: Number of SME Sub-borrowers

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

Project Objective Indicators #12

Apex Lending Indicator: Utilization Rate of the Component

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

Project Objective Indicators #14

Apex Lending Indicator: Nonperforming Loans in the Sub-portfolio

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

Intermediate Result Indicators #1

N/A

Year	Target	Actual	Others, if any
Jun. 30, 2021	N/A	N/A	N/A

Remarks: N/A