



Project Summary Information

Date of Document Updating: 02/6/2024

Project Name	Uludağ Electricity Distribution Network Upgrade and Modernization Project
Project Number	P000678
AIIB member	Türkiye
Sector/Subsector	Energy/Electricity transmission and distribution
Alignment with AIIB's thematic priorities	Green infrastructure; Technology-enabled Infrastructure
Status of Financing	Approved
Objective	To support the upgrade, modernization, and expansion of the medium- and low-voltage electricity distribution network of the Uludağ region.
Project Description	<p>The Project involves the provision of a senior secured loan of up to USD 28 million in Turkish lira (TRY) to support the regulatory capex program of Uludağ Elektrik Dağıtım A.Ş. (UEDAŞ), the incumbent distribution network operator of the Uludağ region.¹ The capex program is approved by the Energy Market Regulatory Authority (EMRA) under the Fourth Tariff Implementation Period 2021-2025 (TIP-4).</p> <p>UEDAŞ is one of the 21 electricity distribution companies of Türkiye created in 2010 following the privatization of the sector. Its network supplies electricity to over 3.5 million users within a 35,501 km² service area that encompasses four provinces bordering the Marmara Sea: Bursa, Balıkesir, Canakkale and Yalova. In 2022, the region had a population of 5.1 million and consumed 19.6TWh, representing approximately 8% of Türkiye's electricity demand. The UEDAŞ network has approx. 53,600km of distribution lines and 28,137 transformers with an installed capacity of 11,132 MWA.</p> <p>Since April 2022, the Borrower and its affiliates, Ulug Elektrik Dağıtım ve Perakende Hizmetleri Satis A.Ş. (Ulug) and Uludağ Elektrik Perakende Satis A.Ş. (UEPSAŞ) are wholly owned subsidiaries of Actis Long Life Infrastructure Fund (Actis).</p>

¹ UEDAŞ operates the network in accordance with the terms and conditions set out in the Transfer of Operating Rights Agreement signed with the Turkish Electricity Distribution Company (TEDAŞ), and the distribution license, both dated 2006.

	<p>The Project will contribute to the expansion, rehabilitation, and efficiency of the Uludağ electricity distribution network through multiple investments, including the procurement, installation, and operation of medium- and low-voltage overhead lines, underground lines, transmission connection lines, and transformers. Through these investments, the Project will help reduce power outages, control theft and losses, enhance the operation's environmental and safety standards, and improve the network's efficiency and reliability. The Project will expand the digitalization of the network through technology investments and improve the average age of equipment.</p>
Expected Results	<p>The Project is expected to expand the electricity distribution network by different measures (volume of electricity distributed, installed distribution lines and transformer capacity, and the number of residential and industrial connected users), expand the value of the regulated asset base, and improve the quality and efficiency of electricity distribution services (e.g. by maintaining technical losses and interruption metrics under control and supporting the roll-out of technology improvement plans such as smart meters).</p>
Environmental and Social Category	<p>EBRD Category B, equivalent to Category B if AIIB's Environmental and Social Policy (ESP) were applicable.</p>
Environmental and Social Information	<p>The proposed financing will be co-financed with the European Bank for Reconstruction and Development (EBRD) and the Netherlands Development Finance Company (FMO). The Project's environmental and social (E&S) risks and impacts have been assessed in accordance with EBRD's Environmental and Social Policy 2019 (EBRD's ESP) and relevant Performance Requirements (PRs). To ensure a harmonized approach to addressing E&S aspects of the Project, and as permitted by AIIB's Environmental and Social Policy (AIIB's ESP), EBRD's ESP (2019) and relevant PRs² will apply to this Project in lieu of AIIB's ESP. The Bank has reviewed EBRD's ESP and PRs and is satisfied that (i) the EBRD ESP and PRs are consistent with the Bank's Articles of Agreement and materially consistent with the provisions of AIIB's ESP and the relevant E&S Standards (ESS), and (ii) the monitoring procedures that are in place are appropriate for the Project.</p> <p>The environmental and social due diligence (ESDD) undertaken by an independent consultant confirmed that UEDAŞ has established an integrated management system. It includes procedures for quality assurance, environmental monitoring, occupational health and safety (OHS), customer satisfaction, information security, and business continuity. Contractor management arrangements within UEDAŞ include standard OHS and environmental clauses in contracts, although these arrangements would benefit from further development to ensure improved monitoring of contractors' performance. A land acquisition policy framework (LAPF) has been developed and UEDAŞ confirmed there has been no physical displacement.</p>

² The applicable PRs include PR1: Assessment and Management of Environmental and Social Impacts and Issues; PR2: Labor and working conditions; PR3: Pollution prevention and abatement; PR4: Health and Safety; PR5: Land acquisition, involuntary resettlement, and economic displacement; PR6: Biodiversity conservation and sustainable management of living natural resources; PR8: Cultural heritage; and PR10: Information disclosure and stakeholder engagement.

	<p>Expropriation is associated with electrical network poles and confirmed to be a small area. No issues or concerns were raised by the project-affected community representatives during consultations held. No legacy issues were stated. The areas identified during ESDD requiring further development include OHS, biodiversity and hazardous substance management, traffic management, access to information and stakeholder engagement.</p> <p>A comprehensive Environmental and Social Action Plan (ESAP) has been developed and agreed with UEDAS. The ESAP has been structured to bring UEDAS into compliance with the EBRD's PRs. The ESAP includes commitments to develop/update and implement relevant E&S management plans/policies/procedures related to OHS, community health and safety, biodiversity and hazardous substance management, traffic management, GBVH, equal opportunities, and further cascading these to contractors. An independent E&S monitoring consultant will be appointed by the lenders to monitor project progress and report to Lenders periodically in addition to the requirement to report to the lenders annually on Company's E&S performance.</p> <p>A Stakeholder Engagement Plan (SEP) has been prepared and will be implemented by UEDAŞ. The Company will promote youth inclusion and enhance the role of women in this traditionally male dominated sector. It will introduce a new, accredited and gender-responsive skills development program and develop partnerships with education providers to promote STEM careers for young women as part of the Equal Opportunity Action Plan to be prepared. In addition, the Key Performance Indicators (KPIs) for monitoring of E&S performance of contractors will also be developed.</p> <p>The Company's existing Grievance Redress Mechanism (GRM) will be updated to make it more effective and accessible. A GRM leaflet will be prepared in the local language and widely disseminated at the project sites. Prior to project appraisal, the Non-technical Summary (NTS) and the SEP have been disclosed both in English and Turkish languages on the websites of UEDAŞ³ and EBRD⁴. The links to these websites are also provided on AIIB's website including the Summary of ESAP.</p>
Cost and Financing Plan	The estimated required is for the remaining part of the TIP-4 (2023-2025) is USD 212 million equivalent or above. The AIIB Loan of up to USD 28 million-equivalent will be part of a financing that includes EBRD, FMO and Turkish commercial banks.
Borrower	Uludağ Elektrik Dağıtım A.Ş. (UEDAŞ)
Guarantors	Ulug Elektrik Dağıtım ve Perakende Hizmetleri Satis A.Ş. (Ulug) and Uludağ Elektrik Perakende Satis A.Ş. (UEPSAŞ)
Estimated date of last disbursement	December 2025

³ UEDAŞ Disclosure: <https://www.uedas.com.tr/tr/belgeler>.

⁴ <https://www.ebrd.com/work-with-us/projects/psd/52708.html>

Contact Points:	AIIB		EBRD	Borrower	
Name	Francisco Fortuny	Danurachman Krishana	N/A	Duygu Tokgöz	Özgür Öztürk
Title	Senior Investment Operations Specialist	Investment Officer	N/A	Chief Financial Officer	Group Sustainability Director
Email Address	fj.fortuny@aiib.org	danurachman.krishana@aiib.org	projectenquiries@ebrd.com	dtokgoz@uludagenerji.com.tr	ozgur.ozturk@uludagenerji.com.tr
Date of Concept Decision	August 3, 2022				
Date of Appraisal Decision	December 1, 2023				
Date of Financing Approval	January 26, 2024				

Independent Accountability Mechanism	As noted above, EBRD's ESP will apply to this project instead of AIIB's ESP. Pursuant to AIIB's framework co-financing agreement with EBRD, the Independent Project Accountability Mechanism (IPAM) will review, in accordance with the EBRD Project Accountability Policy dated April 2019, all requests regarding environmental and social issues that may arise under the Project. In accordance with AIIB's Policy on the Project-affected People's Mechanism (PPM), submissions to the PPM under the project will not be eligible for consideration by the PPM. Information on EBRD's IPAM is available at https://www.ebrd.com/project-finance/independent-project-accountability-mechanism.html
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