

Appendix 1: Learning Review Summaries

The following tables summarize the key recommendations in connection with P000132 TSKB Sustainable Energy and Infrastructure On-lending Facility and its Early Learning Assessment (March 2021) and its detailed Project Learning Review (June 2025).

Table A. P000132 TSKB SEI On-lending Facility, Early Learning Assessment, March 2021

Lesson	Description	Application
<i>Partner selection is crucial</i>	The project's success relied on selecting the right FI partner. TSKB's maturity, strong management, and proven track record were crucial. AIIB should prioritize experienced FIs with robust operational capabilities.	Like TSKB, TKYB's operational history, strong management, financial stability, and previous IFI experience make this FI a strategic entry point, building a foundation for long-term partnerships and repeat operations.
<i>Value addition through partnership</i>	AIIB's indirect role limited its influence on sub-projects. To enhance value-additionality, AIIB should build stronger, strategic relationships with FIs to co-develop and co-finance future projects.	AIIB has developed a strategic partnership with TKYB that aligns with AIIB's objectives. AIIB and TKYB continue to identify and co-develop new projects that enhance the partnership.
<i>Efficiency in the prior review process</i>	AIIB's extensive prior review of TSKB sub-projects was resource-intensive and may have reduced efficiency. A more selective review process focusing on high-risk sub-projects is recommended.	AIIB now applies selective oversight and focuses on prior reviews of high-risk or high-value projects. The approach should reduce transaction and monitoring costs and uphold the efficiency of the Bank's FI lending.
<i>Safeguarding Effectiveness and Grievance Mechanisms:</i>	AIIB should ensure that FIs make grievance redress mechanisms (GRMs) accessible and transparent to project-affected people by providing clear information about AIIB's Project-Affected People's Mechanism (PPM).	AIIB requires TKYB to implement a clear and accessible external communications mechanism (ECM) and requires its Sub-borrowers to establish GRM.
<i>Sustainability and FI Framework Development:</i>	AIIB's "learning by doing" approach in its early FI operations underscores the need for a more structured framework moving forward, including clear objectives, FI eligibility criteria, and guidelines for monitoring and oversight to better manage risks and ensure alignment with AIIB's strategic priorities.	The Project is part of a structured approach to FI in Türkiye, underpinned by the MYRP. The partner is selected for its systemic importance, ESG capacity, and IFI experience. The Project will set clear expectations for the use of funds, prioritizing climate finance. AIIB will apply the experience gained over time.
<i>Managing Expectations in Turbulent Markets</i>	In members facing macroeconomic stress, AIIB must thoroughly assess risks before initiating FI operations. The decision to engage or not can have significant market signalling effects. Comprehensive risk assessments and coordination with other IFIs are crucial.	AIIB conducts regular macroeconomic reviews on the Member and financial assessments on the Borrower as the first source of repayment.
<i>Continuous Learning and Improvement:</i>	Projects with explicit learning objectives benefit from structured processes to capture and share knowledge. AIIB should systematically collect and document lessons for future reference.	AIIB continues using the Project as a learning opportunity. These insights would inform and improve future SBF FI loans in Türkiye and other jurisdictions.

Table B. P000132 TSKB SEI On-lending Facility, Project Learning Review (PLR), June 2025¹

Lesson	Description	Application
<i>Strategic Partnerships and In-Country Engagement</i>	<p>Partnering with a high-capacity client was instrumental in enabling AIIB to pilot its first FI operation. The collaboration with TSKB provided a reliable platform to test AIIB's engagement model, manage risks, and establish operational credibility in a new market. This strategic entry point helped build a foundation for long-term partnerships and repeat operations. AIIB's lean operational model characterized by direct engagement, streamlined decision-making, and stable teams was positively received by stakeholders and supported effective delivery. At the same time, the experience suggested that, as AIIB's portfolio grows, the Bank could consider options for enhancing its in-country engagement in a manner consistent with its business model, strategic direction, and evolving operational needs.</p>	<p>AIIB has continued to deepen its partnerships with reputable development banks in Türkiye, including TSKB, TKYB, and Türk Eximbank.</p> <p>Over the years, the Bank has established strong working relationships with these FI, supporting them in building and refining their capacity to implement sustainable infrastructure projects in alignment with AIIB's strategic priorities. These partners have demonstrated strong reliability, underpinned by stable and experienced project teams that enable efficient delivery.</p> <p>AIIB has begun to develop multi-year engagement frameworks with select members to guide its sovereign-backed financing (SBF) operations. In Türkiye, high-capacity development banks are playing a central role in this approach, particularly as this modality of lending has proven resilient and effective in scaling up climate finance amid economic headwinds.</p> <p>As the Bank's product offering continues to evolve, AIIB will explore additional forms of both SBF and non-sovereign-backed financing (NSBF) engagement with these partners to further expand its impact.</p>
<i>Project Classification in FI Structures with Sovereign Guarantee</i>	<p>The experience with the Facility highlights the value of enhancing internal clarity in classifying FI projects involving sovereign guarantees, particularly when implemented through private financial institutions.</p> <p>In this case, the operation was categorized as SBF due to the presence of a government guarantee. However, its structure and risk allocation more closely reflected characteristics typical of NSBF, with credit risk and repayment responsibility borne by TSKB and with a direct sovereign guarantee.</p> <p>This hybrid arrangement led to some variation in operational approaches, particularly in areas such as risk assessment, RMF design, disclosure practices, and the application of economic and financial analysis.</p> <p>The use of SBF financing terms for on-lending at market rates also pointed to the importance of aligning financing modalities with the distribution of financial benefits.</p>	<p>Both TSKB and TKYB have long-standing experience with SBF on-lending and are regular implementing partners for the World Bank and other MDBs under sovereign guaranteed structures. They have consistently complied with SBF requirements, and no implementation issues have been observed.</p> <p>Although TSKB is privately owned—with the government holding only a minority stake via VakıfBank—it operates as a development finance institution, is eligible for sovereign guarantees, and does not engage in deposit-taking activities.</p> <p>In line with AIIB's FI definition, project implementation responsibilities are delegated to the Borrowers, a structure that has proven both practical and effective for the Borrower and the Guarantor.</p> <p>While the operational flexibility in these projects may resemble NSBF FI structures, this hybrid model is not unusual in SBF.</p>

¹ The PLR has been completed in June 2025. The PLR document and management responses were published on August 27, 2025 on AIIB's website: https://www.aiib.org/en/about-aiib/who-we-are/complaints-resolution-evaluation-integrity-unit/news-publications/download/AIIB_CEIU_Project-Learning-Review-03_TSKB-Onlending-Facility.pdf; https://www.aiib.org/en/about-aiib/who-we-are/complaints-resolution-evaluation-integrity-unit/news-publications/download/AIIB_CEIU_Project-Learning-Review-03_TSKB-Onlending-Facility.pdf#page=23.

	<p>The PLR does not suggest that the hybrid model is inappropriate or ineffective. On the contrary, the structure functioned well in this case. It did not materially affect project performance and supported the achievement of the Facility's objectives.</p> <p>Rather, the experience highlights that greater internal clarity, and tailored guidance would help optimize the application of such models ensuring consistent alignment between project structure, risk ownership, and policy requirements, while supporting sound operational planning and risk management as AIIB's portfolio evolves.</p>	<p>Similar arrangements exist in public-sector projects involving decentralized implementation through sub-national entities or SOEs.</p> <p>AIIB applied all relevant policies to these financings, including its Operational Policy on Financing and SBF administrative guidance, without requiring waivers or exceptions.</p> <p>Over time, the Bank has refined its approach to RMF design, standardizing project objectives and end-targets, while acknowledging the challenge of assigning intermediate indicators to FI projects.</p> <p>Economic and financial analyses have also been integrated into project appraisal, sub-project selection, and closing, proportionate to the FI structure.</p> <p>Borrowers are expected to apply sound, market-aligned pricing. While concessional pricing is not required, on-lending terms must support financial sustainability and avoid market distortions. TSKB and TKYB have underscored the importance of stable, attractively priced funding to fulfil their countercyclical and climate-focused mandates.</p> <p>Going forward, AIIB will continue refining its criteria for structuring FI on-lending facilities involving sovereign guarantees and market-based pricing.</p>
<i>Guidance on FI Projects and Results Measurement</i>	<p>The Facility illustrates the importance of advancing internal frameworks to guide the design, monitoring, and assessment of FI projects. In indirect lending models, where attribution of development outcomes is inherently complex, greater clarity on expectations is essential to support consistent implementation and results measurement.</p> <p>While AIIB contributed positively to E&S sustainability by aligning sub-projects with its ESF, the experience also highlighted opportunities for greater clarity in the depth of analysis and reporting required at the sub-project level particularly with respect to economic and financial assessments, E&S monitoring, and the scope of results tracking.</p> <p>The Facility's RMF revealed some limitations, including an incomplete indicator set and unclear performance targets, which reduced the ability to systematically assess sub-project outcomes. Similarly, limited reporting in PIMRs constrained visibility into implementation progress.</p> <p>As AIIB's FI portfolio grows, developing clear internal guidance and outcome-oriented</p>	<p>The results monitoring framework (RMF) for early FI operations was developed at a formative stage of the Bank's institutional evolution and has since been progressively refined. AIIB has enhanced its approach by introducing clearer, standardized indicators and strengthening the alignment of RMFs with the specific features of FI structures.</p> <p>Economic and financial analyses have been integrated into the design and implementation of new facilities. These assessments now inform both sub-project selection and overall facility evaluation, contributing to a more comprehensive understanding of development impact.</p> <p>The Project Implementation Monitoring Reports (PIMRs) have also evolved, offering increased visibility into implementation progress and E&S performance. Regular reporting from the Borrowers feeds into PIMRs, improving transparency and accountability.</p> <p>Given the high allocation and disbursement capacity demonstrated by these FI operations, AIIB will continue to adapt and strengthen its monitoring tools—tailoring</p>

	<p>monitoring tools adapted to the layered nature of FI structures will help strengthen operational consistency, improve transparency, and enhance the credibility of development effectiveness assessments.</p>	<p>them to the layered nature of FI facilities to support more consistent implementation, enhance results measurement, and maintain credibility in assessing development effectiveness.</p>
<i>Institutional Learning</i>	<p>The Facility, as AIIB's first FI operation, offered a valuable opportunity to generate insights on structuring, supervising, and delivering FI projects. It contributed meaningfully to AIIB's institutional learning, particularly in shaping future engagements with TSKB and informing the broader development of FI projects.</p> <p>The experience suggests that, in operations where learning is an explicit objective, the impact could be further amplified through a more structured approach to knowledge management. This includes proactively identifying learning goals, capturing key insights throughout implementation, and sharing lessons beyond the immediate project team.</p> <p>As AIIB continues to scale its FI portfolio, embedding systematic knowledge capture and dissemination mechanisms into project design and supervision can help ensure that learning is institutionalized, supports continuous improvement, and informs the design of future operations across sectors and clients.</p>	<p>Given the context and timing of the TSKB loan—AIIB's first on-lending facility—the operation served as a pilot and offered valuable learning opportunities for both AIIB and TSKB. The experience informed the design of subsequent FI operations with TSKB, TKYB, Türk Eximbank, and other partner institutions, helping shape the Bank's broader approach to FI engagement.</p> <p>Key lessons from this initial facility have been captured not only in its project closing documentation but also embedded in the design of later operations, which frequently reference this foundational example. Knowledge capture and adaptation have thus occurred organically through iterative project preparation and implementation.</p> <p>In addition, the preparation of the ELA (2021) and the PLR represent important milestones in institutionalizing this learning. These efforts contribute to a more structured approach to knowledge management, enabling AIIB to strengthen its FI operations and share insights beyond individual project teams.</p>
<i>Integration of E&S Risk Assessment</i>	<p>Integrating E&S risk assessment into the credit due diligence process of FIs enhances both accountability and the effectiveness of safeguard implementation. A key strength of TSKB's approach lies in the direct incorporation of E&S considerations into its financial screening, due diligence, and approval processes. This ensures that sub-borrowers are aligned with sustainability requirements from the outset of project appraisal. Further, embedding E&S commitments into legal loan agreements reinforces institutional accountability by making these obligations contractually binding. AIIB can draw lessons from this approach and encourage its replication with other FIs, particularly those with less mature E&S management systems. In addition, strengthening GRMs in parallel with E&S due diligence can help ensure that affected stakeholders have effective channels to raise concerns, thereby improving the overall performance and credibility of the FI's E&S risk management system.</p>	<p>The lesson aligns closely with the practices observed at both TSKB and TKYB, where robust E&S risk assessment is embedded within the credit due diligence process. This institutional capacity has been a key factor in the successful implementation of previous facilities and has supported the development of follow-up operations with both institutions.</p> <p>These experiences have also informed the design and appraisal of other FI projects, reinforcing the importance of integrating E&S considerations from the outset. In particular, the presence of adequate project-level grievance redress mechanisms (GRMs) and effective external communication mechanisms (ECMs) has become a core component of AIIB's due diligence and sub-project review processes. These elements are essential to ensuring stakeholder access, enhancing transparency, and strengthening the overall performance and credibility of E&S risk management in FI operations.</p>