

Turkey : TKYB Renewable Energy and Energy Efficiency On-Lending Facility

1. Project Information

Project ID:	P000141	Instrument ID:	L0141A;L0141C
Member:	Turkey	Region:	Western Asia
Sector:	Finance	Sub-sector:	Financial institutions
Instrument type:	<input checked="" type="checkbox"/> Loan:300.00 US Dollar million <input type="checkbox"/> Guarantee	Co-financier(s):	
ES category:	FI	Borrowing Entity:	Development and Investment Bank of Turkey
Implementing Entity:	Development and Investment Bank of Turkey		
Project Team Leader:	Francisco-José Fortuny Carod (DG: Supee Teravaninthorn; Responsible Department: INF2)		
Project Team Members:	Liu Yang, Project Counsel; Rui Xiang, OSD - Financial Management Specialist; Merve Birgul, OSD - Social Development Specialist; Chee Wee Tan, OSD - Environment Specialist; Rabindra Shah, OSD - Procurement Specialist; Komron Rajabiyon, Back-up PTL;		
Completed Site Visits by AIIB:	<p>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</p> <p>Mar, 2022 Site visit by AIIB Social Specialist, Merve Birgul, comprised of: (1) Management Interview at TKYB headquarters, (2) visit to one TKYB sub-project under facility L0141A (biogas plant); and (3) visit to one TKYB sub-project under consideration under facility L0141C (biomass project).</p>		
Planned Site Visits by AIIB:	<p>Oct, 2022 PTL visit during Q4 2022.</p> <p>Mar, 2023 ES site visits and management meetings during Q1/Q2 2023.</p>		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2021/09		

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 (CO₂) 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.

On October 13, 2021, AIIB Board of Directors approved an additional loan of USD100 million, increasing the loan amount from the initial USD200-million loan to a total of USD300 million. The additional loan keeps the same objectives as the original loan. The additional loan has not change materially the parameters of the original facility, such as the closing date (March 2024) and the final maturity date (February 2036).

3. Key Dates

Approval:	Nov. 12, 2019	Signing:	Dec. 10, 2019
Effective:	Jan. 14, 2020	Restructured (if any):	Oct. 13, 2021
Orig. Closing:	Mar. 31, 2024	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	250.00	Most recent disbursement (amount/date):	50.00/Mar. 13, 2022
Undisbursed:	50.00	Disbursement Ratio (%) ¹ :	83.33

5. Project Implementation Update

The original loan facility (L0141A) was declared effective on January 14, 2020 and 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.

Under the original loan, AIIB has supported 10 renewable energy sub-projects loans amounting to USD 190.9 million and supporting total investments of USD 615.7 million equivalent. These sub-projects include nine wind farms, and one biomass plant representing 364 MW of installed capacity. Due to currency fluctuation, some of the EUR-denominated loans under original facility have not been fully utilised and have created additional capacity under facility L0141A. An allocation to one biogas project has been proposed (currently under review and to be partially allocated to facility L0141C) and two allocations to two wind farms are expected.

The additional loan facility (L0141C) was declared effective on December 7, 2021. During Q1 2022, this additional loan has been disbursed as follows:

- Fifth disbursement: under advance method for USD 50,000,000 made on March 11, 2022

Under the additional loan, the Borrower initially proposed the pipeline of seven wind and solar sub-projects and one biomass sub-projects (to be partially allocated to facility L0141A, see above). As of May 31, 2022, AIIB is

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.

reviewing five renewable energy sub-projects loans amounting to approximately USD 78.2 million and in support of USD 1.29 billion of total investments in ca. 1.5 GW of installed capacity, mainly due to the presence of one large-scale solar power plant.

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 of the original facility.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Renewable Energy and Energy Efficiency On-Lending Facility (USD 200 million)	10 out of the 11 sub-projects representing 474MW out of 492MW of installed capacity have been completed as of March 31, 2022. One project (biomass) has achieved partial completion and has started to generate electricity as well.	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). However, the third E&S monitoring report is overdue as of the date of this PIMR. AIIB's E&S specialists however conducted a management interview and sample site visit to two projects (biogas and biomass) and obtained first hand information from the Borrower's E&S team about the performance of the portfolio. The Borrower is otherwise 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 where the subject was discussed (August 2021). The Borrower is in compliance with the key project covenants related to Procurement. Semi-annual procurement report has been submitted to AIIB on April 1, 2022.

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, there is evidence of proper review, authorization, and segregation of duties over the projects' transactions and no significant internal control deficiencies were noted. All financial reports submitted to date are deemed to be acceptable by the Bank. The Borrower is in compliance with the key project covenants related to Financial Management. The project audit report for the year ended December 31, 2021 is due at the end of June 2022.

On April 5, 2022, the Borrower has submitted a request for reallocation of some funds among the eligible sub-loans of original and additional loans under facility L0141A, caused by the decrease of investment costs, without changes to the total loan size, as indicated above. The reallocation is considered to have no material impact on the original Financial Management arrangement by the Financial Management specialist.

6. Status of the Grievance Redress Mechanism (GRM)

The Borrower has established an External Communication Mechanism (ECM) (a GRM equivalent at FI level) and requires 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) and Contact Information (kalkinma.com.tr) in both English and Turkish. During the monitoring mission of March 2022, the matter of GRM was reviewed and 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.

Project Objective Indicators #1

Total renewable energy generation capacity installed (MW)

Year	Target	Actual	Comments, if any
Jul. 31, 2021	140	131	Only completed renewable energy generation installed capacity to be included.

Project Objective Indicators #2

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

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

Remarks:

Provisional numbers based on completed projects. Funds have been allocated to Renewable Energy investments only. The values will be defined during the implementation period.