

## Türkiye : TKYB Renewable Energy and Energy Efficiency On-Lending Facility

### 1. Project Information

Project ID:	P000141	Instrument ID:	L0141A;L0141C
Member:	Türkiye	Region:	Western Asia
Sector:	Energy	Sub-sector:	Multi-subsector
Instrument type:	<input checked="" type="checkbox"/> Loan:300.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier(s):	
ES category:	FI	Borrowing Entity:	
Implementing Entity:	Development and Investment Bank of Türkiye		
Project Team Leader:	Francisco-José Fortuny Carod		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Komron Rajabiyon, Team Member; Liu Yang, Project Counsel; Rui Xiang, OSD - Financial Management Specialist; Rabindra Shah, OSD - Procurement Specialist; Chee Wee Tan, OSD - Environment & Social Development Specialist		
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, 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> <p>Dec, 2022 Hybrid virtual and in-person monitoring mission to TKYB headquarters in Istanbul. Review of procurement, environmental, social and implementation aspects of the Project., Hybrid virtual and in-person visit to TKYB HQ on December 13, 2023.</p>		
Planned Site Visits by AIIB:	Sep, 2023 Potential planned site visit.		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2022/09		

### 2. Project Summary and Objectives

The Project's objective is to advance Türkiye's renewable energy and energy efficiency infrastructure by providing long-term financing (Sub-loans) through TKYB to privately-owned companies (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's climate mitigation goals under the recently-ratified Paris Agreement (Oct. 2021).

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 (CO<sub>2</sub>) 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 changed materially the parameters of the original facility, such as the closing date (Mar. 31, 2024) and the final maturity date (Feb. 15, 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:	300.00	Most recent disbursement (amount/date):	50.00/Sep. 29, 2022
Undisbursed:	0.00	Disbursement Ratio (%) <sup>1</sup> :	100.00

### 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 11 renewable energy sub-projects loans amounting to USD 190.4 million and supporting total investments of USD 639 million equivalent. These sub-projects include 10 wind farms representing approx. 500MW of installed capacity, and one 6MW biomass plant. The remaining headroom of USD 9.6 million may be allocated to two renewable energy sub-projects, currently under consideration. Due to currency fluctuation, some of the FX-denominated loans under the original facility have not been fully utilized and have created additional capacity under facility L0141A. This additional capacity may be allocated to the sub-projects, currently under review, and to supplement the

<sup>1</sup> Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

additional facility L0141C.

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

- Fifth disbursement: under advance method for USD 50,000,000 made on March 11, 2022.
- Sixth disbursement: under advance and reimbursement methods for USD 50,000,000 made on September 29, 2022.

Under the additional loan facility, the Borrower initially proposed a pipeline of 6 wind, solar and biomass sub-projects, some to be partially allocated to facility L0141A. As of June 16, 2023, the Bank has approved the allocation of USD 74.88 million to four renewable energy sub-projects, including a 120MW wind farm; a 1,348MW solar plant, representing jointly USD 1.2 billion of investment; and two 10MW wind farms of USD 15.78 million and 14.28 million. The Bank is currently reviewing two additional renewable energy sub-projects that are expected to consume the remaining part of the facility. The Borrower is on track to deploy the funds of the original and additional facilities before the closing of the loan (March 31, 2024).

The Borrower has completed its environmental and social management system (ESMS) upgrade, within three months from the signing of the Loan Agreement and has also made progress with the corporate development milestones agreed upon 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 + USD 100 million)	12 out of the 13 approved sub-projects representing 504MW of installed capacity have been completed as of December 13, 2022. A large-scale 1.35GW solar project has reached 88 percent completion and is expected to become fully operational in 2023.	In compliance, subject to individual sub-project assessment and monitoring. The first and second annual E&S monitoring reports have been submitted and reviewed by the Bank. No E&S red flags were identified during the last physical E&S mission (Q2 2022), when the Bank's Social Specialist conducted a sample visit to two sub-projects under consideration. The H1 2022 E&S monitoring report was submitted and accepted by the Bank in Sep. 2022. The Borrower also provided a comprehensive and detailed update of the E&S performance of the portfolio during the monitoring mission in Dec. 2022. The Borrower is considered substantially 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 in Dec. 2021. The Borrower provided a comprehensive overview of the portfolio implementation from a procurement standpoint during the last virtual mission. The semi-annual procurement report has been submitted to AIIB on March 31, 2022. The Borrower is considered substantially in compliance with the key Project covenants related to Procurement.

**Financial Management:**

TKYB maintains adequate financial management arrangements. Based on the loan reporting and the virtual mission conducted in Dec. 2022, there is evidence of proper review, authorization, and segregation of duties over the projects' transactions. No significant internal control deficiencies were identified. All financial reports submitted to date are deemed to be acceptable by the Bank. The Borrower is in

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compliance with the key project covenants related to Financial Management. The project audit report for the year ended December 31, 2021, was submitted on June 4, 2022, and was found acceptable to the Bank. The Project audit report for the year ended December 31, 2023 is due to be submitted by June 30, 2023. The Borrower has proposed the reallocation of some funds among the eligible sub-loans of original and additional loans under facility L0141A, caused by the decrease of investment costs and FX fluctuation, 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. The final allocation will be captured in the statement of expenditures of each facility.

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**6. Status of the Grievance Redress Mechanism (GRM)**

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The Borrower has established an External Communication Mechanism (ECM), a GRM equivalent for financial intermediaries, and requires sub-borrowers to establish a GRM at the sub-project level. The topic of ECM and GRM were discussed during the physical site visits of Mar. 2022 and the virtual mission of Dec. 2022. 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, as confirmed during the virtual E&S visit of Dec. 2022. The ECM can be found on TKYB's website: Environmental Complaint Mechanism (<https://kalkinma.com.tr/en/about-us/environmental-development/environmental-complaint-mechanism>) in both English and Turkish.

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**7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)**

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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.

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**Remarks:**

Blended original facility L0141A and additional facility L0141C targets. Provisional numbers based on completed projects. Funds have been allocated to Renewable Energy investments only; no energy efficiency sub-projects are expected to be added to the facility. The values will be defined during the implementation period.

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Project Objective Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments
			Baseline		2019		2020		2021		2022		2023		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
Total renewable energy generation capacity installed	Project	MW	2019	N/A	N/A	N/A	56	N/A	130	131	470	624	TBD		2025	>500		Annual	TKYB	
Reduction of greenhouse gas emissions, in tons of carbon dioxide equivalent per year	Project	Tons	2019	N/A	N/A	N/A	N/A	N/A	82,529	N/A	244,034	747,214	728,573		2025	>1,000,000		Annual	TKYB	
Primary energy consumption saved	Project	GWh	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		2025	TBD		Annual	TKYB	
Amount invested in renewable energy projects	Project	USD million	2019	N/A	N/A	N/A	82.7	50	317.6	185	615.8	778	TBD		2025	750		Annual	TKYB	
Amount invested in energy efficiency projects	Project	USD million	2019	N/A	N/A	N/A	TBD	N/A	TBD	0	TBD	0	TBD		2025	TBD		Annual	TKYB	

Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments
			Baseline		2017		2018		2019		2020		2021		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			