

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	Co-financier(s):	
ES category:	FI	Borrowing Entity:	Development and Investment Bank of Türkiye
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; Chee Wee Tan, OSD - Environment Specialist; Odil Akbarov, OSD - Social Development Specialist; Rabindra Shah, OSD - Procurement Specialist		
Completed Site Visits by AIIB:	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 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. 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).		
Planned Site Visits by AIIB:	Jun, 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:	2022/03		

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 Türkiye, 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 (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 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 (%) ¹ :	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 additional facility L0141C.

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.

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 wind, solar and biomass sub-projects, some to be partially allocated to facility L0141A. As of December 13, 2022, the Bank has approved the allocation of USD 60 million to two renewable energy sub-projects, including a 120MW wind farm and a 1,348MW solar plant, representing jointly USD 1.2 billion of investment. The Bank is currently reviewing four 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 (Mar. 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 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 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.

6. Status of the Grievance Redress Mechanism (GRM)

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.

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

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

Year	Target	Actual	Comments, if any
Dec. 31, 2022	>1,000,000 tCO ₂ eq/year by 2025	747,214	Calculated based on completed and operating projects (annualized).

Project Objective Indicators #2

Primary energy consumption saved (GWh)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	N/A	N/A	No allocations have been made to energy efficiency investments.

Project Objective Indicators #3

Total renewable energy generation capacity installed (MW)

Year	Target	Actual	Comments, if any
Dec. 31, 2022	>500MW by 2025	624	Completed renewable energy generation installed capacity only.

Project Objective Indicators #4

Amount invested in renewable energy projects (USD million)

Year	Target	Actual	Comments, if any
Dec. 31, 2021	750	778	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.

Intermediate Result Indicators #1

Not applicable

Year	Target	Actual	Comments, if any
Dec. 31, 2022	NA	NA	NA

Intermediate Result Indicators #2

Not applicable

Year	Target	Actual	Comments, if any
Dec. 31, 2022	NA	NA	NA

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.