

Project Implementation Monitoring Report (#8)

Reporting Period From 2023/04 To 2024/02

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:	Liu Yang, Project Counsel; Rui Xiang, OSD - Financial Management Specialist; Jingrong He, OSD - Procurement Specialist; Parthapriya Ghosh, OSD - Environment Specialist; Ercan Ozbulut, OSD - Social Development Specialist; Komron Rajabiyon, Back-up PTL		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2023/03		

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,

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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	Latest disbursement (amount/date):	40.00/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 (L0141A), AIIB has supported 13 renewable energy sub-projects loans amounting to USD 200 million and supporting total investments of USD 711.5 million equivalent. These sub-projects include 11 wind farms representing approx. 538MW of installed capacity, one 6MW biomass plant and one 18MW biogas plant.

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 (L0141C), AIIB has supported 6 renewable energy sub-projects loans amounting to USD 100 million and supporting total investments of USD 1,291 million equivalent. These sub-projects include 4 wind farms representing approx. 180MW of installed capacity and one 1,093MW solar plant. With one last solar sub-project of 40MW in advanced stage of approval, the Borrower will fully deploy the funds of the original and additional facilities.

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

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.

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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)	16 out of the 17 approved sub-projects representing 732MW of installed capacity have been completed 100% as of June 16, 2023.	In compliance, subject to individual sub-project assessment and monitoring. No E&S red flags were identified during the last physical E&S mission (September 2023), when the Bank's team conducted a sample visit to a sub-project. The Borrower also provided a comprehensive and detailed update of the E&S performance of the portfolio during the same monitoring mission. The Borrower is considered substantially in compliance with the key project covenants related to E&S. H2 2023 E&S semi-annual report is under preparation.	In compliance, subject to individual sub-project assessments. The Borrower provided a comprehensive overview of the portfolio implementation from a procurement standpoint during the last mission. The annual and final procurement report for 2023 is under preparation. 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 Interim Financial Report for the semester ended June 30, 2023, was submitted in a timely manner, and deemed to be acceptable by the Bank's team. However, there have been delays in TKYB's submission of project-level audited report. These delay is primarily attributed to external factors, in particular the external auditor (KPMG) to complete the audit within the agreed-upon timeframe.

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 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 visit on September 2023. 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 (please refer to the full RMF, which can be found on the last page of this PIMR)

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The data on the results monitoring is provided as below:

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 added to the facility.

Project Objective Indicators	Indicator level	Unit of Measure	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	1,528	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	2,603,535	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	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	1,304	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	0	2025	TBD		Annual	TKYB	

Project Intermediate Indicators	Indicator level	Unit of Measure	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			