

SBF Project Implementation Monitoring Report

Turkey: TSKB Infrastructure On-lending Facility

1. Project Information

Project ID:	000132	Investment Number:	L0132A
Member:	Turkey	Region:	Western asia
Sector:	Finance	Sub-sector:	Intermediary financing
AIB Financing Type:	Loan: 200 USD million	Co-financier(s):	Stand-alone
E&S category:	FI	Borrower:	Turkiye Sinai Kalkinma Bankasi A.S. (TSKB)
Red Flags Assigned:	0 (Q1: 1)	Monitoring Regime:	Regular Monitoring
Implementing Agency:	Turkiye Sinai Kalkinma Bankasi (TSKB)		
Project Team Leader:	Francisco-José Fortuny Carod		
Project Team Members:	Komron Rajabiyon, Investment Associate Chee Wee Tan, Senior Environmental and Social Specialist (Private Sector) Giacomo Ottolini, Procurement Specialist (Consultant) Shonell Robinson, Financial Management Specialist		
Completed Site Visits by AIB:	Jan, 2019 Monitoring visit Feb, 2019 Joint project appraisal mission with the E&S team to a Geothermal Sub-project Jan, 2020 Joint monitoring mission with the E&S team to a Geothermal Sub-project Apr, 2021 Virtual monitoring mission by Investment Operations, E&S, Financial Management and Procurement Specialists		
Planned Site Visits by AIB:	Nov, 2021 Upcoming virtual monitoring mission in connection with TSKB Covid-19 Credit Line Project (000381)		

2. Project Summary and Objectives

The objective of the Project is to advance Turkey's infrastructure primarily in the field of renewable energy and energy efficiency, but also in sectors of transport, power transmission, water management, and treatment and telecommunications by providing AIB loan to TSKB to finance the eligible sub-projects in Turkey. The Project will be used to provide loans to private sector companies involved in the sectors above (Sub-borrowers). The Project is expected to benefit independent power producers in the renewable energy space and electricity consumers, who will benefit from indigenous sources of energy. While the proceeds from the Project facility could also be used in the transport, water, and telecommunications sectors, this flexibility has not been used by TSKB.

3. Key Dates

Approval:	Sep. 28, 2018	Signing:	Sep. 28, 2018
Effective:	Nov. 6, 2018	Restructured (if any):	
Orig. Closing:	Apr. 1, 2022	Rev. Closing (if any):	

4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	199.5	b) Cancellation (if any):	
c) Disbursed:	183.81	d) Most recent disbursement: (amount / date)	29.4, Jun. 9, 2021
e) Undisbursed:	15.69	f) Disbursement Ratio(%) ¹ :	92.1

¹ Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e., $f = c / (a - b)$

5. Project Implementation Update

The loan became effective on November 6, 2018. The Facility has been partially disbursed as follows:

- First disbursement: USD 30,000,000 under reimbursement method, made on September 25, 2019.
- Second disbursements: carried out simultaneously for a combined amount of USD 25,000,000 on December 27, 2019.
- Third disbursement: under advance and reimbursement method, for a combined amount of USD 25,000,000 on September 2, 2020.
- Fourth disbursement: under reimbursement method, for USD 33,880,853.35 on Dec. 17, 2020.
- Fifth disbursement: under reimbursement and advance method, for USD 40,000,000 on March 29, 2021.
- Sixth disbursement: under reimbursement method, for USD 29,431,029.68 on June 9, 2021

The Borrower expects to disburse the remaining proceeds (USD 15.68 million) in one installment during Q4 2021.

The Borrower has been in compliance with the Bank's key covenants at each disbursement. The Borrower has also indicated that the Sub-projects are substantially in compliance with the requirements of the Sub-loan agreements.

As of the date of reporting, USD 199,500,000 (excluding the capitalized USD 500,000 front-end fee) have been fully allocated to eight sub-projects representing a total project cost of approximately USD 1,170 million and 496.5 MW of renewable energy installed capacity. The sub-project allocation included under the Facility encompasses several sectors: wind generation (58 percent of the Facility, 4 sub-projects), geothermal generation (24 percent, 2 sub-projects), electricity distribution (13 percent, 1 sub-project), and energy efficiency (5 percent, 1 sub-project).

All Sub-projects meet the selection criteria as presented to the Board at approval and stipulated in the operations manual. However, to facilitate the deployment of the facility and the mobilization of capital to otherwise eligible renewable energy (wind) projects, the Bank has processed waivers of the project eligibility conditions on two occasions in respect of maximum Sub-project amount (>USD30 million) and relaxation of the individual Sub-project debt-to-equity ratio (80:20).

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Sustainable Energy and Infrastructure On-lending Facility	The portfolio presents projects which are under construction as well as projects already in operations.	In compliance, subject to individual sub-project assessment and monitoring. The last virtual monitoring visit (July 2021) did not identify implementation red flags.	In compliance, subject to individual sub-project assessments. The last virtual monitoring visit (July 2021) did not identify implementation red flags.

Financial Management:

In compliance. The last Project Audit report as of December 31, 2019, was submitted on Aug. 1, 2020, and presented an unmodified opinion.

The audited financial statements report prepared in accordance with the Turkish Banking Regulation and Supervision Authority (BRSA) Report for 2020 has been submitted on March 15, 2021.

TKYB's audited financial statements report in accordance with IFRS for the year 2020 is has been submitted on March 27, 2021.

During the virtual monitoring visit of April 30, 2021, the Financial Management Specialist and the PTL attended a demonstration of the operational management of the Sub-projects by the Borrower. The Borrower also walked the team through the Sub-project financial reporting, covenant monitoring and portfolio credit risk validation process. The Borrower has indicated that none of the Sub-projects are experiencing material financial difficulties and none of the Sub-loans have been re-classified from Stage 1.

Unaudited Mid-Year Project Financial Statement for the reporting period of January-June 30, 2021 was submitted to the Bank. The Bank's Financial Management Specialist has reviewed the report and noted a comment with regard to the DA reconciliation statements to which TSKB has provided satisfactory explanations to the Bank.

Overall, project progress and financial reporting submissions are timely.

6. Status of the Grievance Redress Mechanism (GRM)

The Borrower has established an External Communication Mechanism (ECM), a GRM equivalent at FI level, and required 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 TSKB's ECM. The ECM can be found on TSKB's website: TSKB Contact Form and Contact Information (tskb.com.tr) in both English and Turkish. During the virtual monitoring mission of April 30, 2021, the E&S specialist provided advice to TSKB to improve the visibility and transparency of the ECM as well as the GRMs of the sub-project level.

7. Results Monitoring

The specific benchmarks and targets are determined as the project advances, in accordance with the Project Document.

Baseline Year: Nov. 6, 2018 End Target Year: Jan. 1, 2023

Project Objective Indicators #1

Share of renewable energy and energy efficiency projects (%)

Year	Target	Actual	Others, if any
Mar. 31, 2021	N/A	86.4%	Allocated funds (disbursed and pending) are included in the computation of this objective. End target: >60%

Project Objective Indicators #2

Installed capacity (renewable energy) (MW)

Year	Target	Actual	Others, if any
Mar. 31, 2021	N/A	437.04	Completed sub-projects are included in the computation of this objective. End target: >70MW

Intermediate Result Indicators #1

CO2 reduction (MtCO2)

Year	Target	Actual	Others, if any
Jul. 31, 2021	N/A	N/A	To be estimated based on annual performance after completion. End target: to be determined.

Remarks: Intermediate targets were not adopted at the time of appraisal (2018).