

## SBF Project Completion Note

### Türkiye: Türkiye COVID-19 Credit Line Project

#### 1. Project Information

Project ID:	P000381	Instrument ID:	L0381A; L0381B
Member:	Türkiye	Region:	Western Asia
Sector:	CRF-Finance/Liquidity	Sub-sector:	N/A
Instrument type:	Loan	ES category:	FI
Borrower:	Türkiye Kalkınma ve Yatırım Bankası; Türkiye Sınai Kalkınma Bankası		
Guarantor:	Republic of Türkiye		
Implementing Agency:	Türkiye Kalkınma ve Yatırım Bankası; Türkiye Sınai Kalkınma Bankası		
Project Team Leader(s):	PTL (origination): Francisco Fortuny, Senior Investment Officer Co-PTL: Changyu Sun, Investment Officer PMO (Implementation monitoring): Ying Shen, Portfolio Officer		
Project Team Members:	Huiqian Feng, Portfolio Associate Liu Yang, Project Counsel Rui Xiang, Financial Management Specialist Parthapriya Ghosh, Senior Social Development Specialist Ercan Ozbulut, Social Development Specialist Yunlong Liu, Senior Procurement Specialist		
Site Visits by AIIB:	Virtual: August 2021, November 2021, November 2022, December 2022 On-site: September 2023		

#### 2. Project Summary and Objectives

Türkiye COVID-19 Credit Line Project is under the AIIB's COVID-19 Recovery Facility (CRF) to provide sovereign-backed short-term credit lines to two of Türkiye's development banks, Türkiye Sınai Kalkınma Bankası (TSKB) and Türkiye Kalkınma ve Yatırım Bankası (TKYB) to alleviate liquidity constraints faced by infrastructure-related companies, mid-caps and small-medium enterprises (SMEs) in Türkiye. The USD 500 million loan is guaranteed by the Republic of Türkiye.

The Project has three components: (a) direct on-lending to new/existing TKYB clients (USD 270 million); (b) Apex lending to sub-borrowers through TKYB's partner financial intermediaries (PFIs) such as banks (USD 30 million); and (c) direct on-lending to new/existing TSKB clients (USD 200 million).

The facility is meant for on-lending to sub-borrowers in the form of sub-loans to provide liquidity. It is not meant for capital infrastructure investment financing. Eligible sub-borrowers are private entities registered and operating primarily in Türkiye, with their main activity being in an eligible sector aligned

with AIIB's strategy, as detailed in the Operational Manual (OM). For direct lending, both SMEs and non-SME sub-borrowers are eligible. For Apex lending, only SME sub-borrowers are eligible.

### 3. Key Dates

Approval:	June 30, 2020	Signing:	July 30, 2020 (TSKB Loan) August 17, 2020 (TKYB Loan)
Effective:	December 10, 2020	Restructured (if any):	N.A.
Orig. Closing:	December 18, 2021	Rev. Closing (if any):	June 18, 2023
Final Maturity Date	October 15, 2024		

### 4. Disbursement Summary (US Dollar million)

a) Committed:	500.00	b) Cancelled (if any):	0.00
c) Disbursed:	500.00	d) Last disbursement: (amount /date)	72.78 / June 02,2021
e) Undisbursed (if any):	0.00	f) Disbursement Ratio (%) <sup>1</sup> :	100.00

### 5. Estimated and Actual Costs

The total estimated costs and actual costs are the same, i.e., USD 500 million. This includes USD 498.75 million of on-lending proceeds and USD 1.25 million of front-end fee (FEF). There are no counterpart funds involved in this project.

### 6. Project Implementation, including major changes to the original Objective, Project Design, and Indicators

In general, the Project has been successfully implemented and project objectives accomplished. The Project's financial sustainability has been well maintained. There is no major change to the project's original design.

The disbursement of the Project was completed in June 2021. The Project was closed on June 18, 2023, with two extensions (the original closing date was December 18, 2021). The loan account was closed on January 9, 2024.

The loan proceeds have been fully utilized to support intended project beneficiaries. The overall implementation is viewed as satisfactory.

The project had the following changes, for each lending facility:

<sup>1</sup> 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.,  $f = c / (a - b)$

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TKYB Loan (L0381A):

- As requested by the Borrower, and to allow more implementation time for sub-loan appraisals, the closing date was extended twice. By October 2021, one-third of facility funds were disbursed and around 70% of the disbursed funds had been allocated to sub-loans. The closing date was extended by one year from the original date of December 18, 2021, to December 18, 2022. In December 2022, delays were observed in the implementation of Apex lending relating to implementing additional macroprudential measures, prolonged due diligence on the sub-borrower's foreign currency position, as well as the sheer number of sub-loans for review and documentation (Apex lending is targeting SMEs and micro enterprises only, therefore, the number of the sub-loans is relatively bigger than direct lending). The Loan Closing Date was consequently extended by another 6 months, to June 18, 2023.

- In September 2022, the Loan was amended to reallocate USD 70 million from Apex lending to direct on-lending, with no change being made to the aggregate Loan amount. This reallocation did not affect the realization of the overall objective of the Project. The Apex lending and direct on-lending loan amounted are USD 30 million and USD 270 million, respectively, after the change. The Result Management Framework (RMF) was adjusted accordingly.

- Different modes of lending (i.e., Direct lending and APEX lending) allowed TKYB to test the market demand in various segments for short-term working capital loans. Under APEX lending both the PFI as well as SMEs were not well equipped with proper setup to fulfill the ES requirements under the facility. The extensions were requested mainly to prepare the PFI and the underlying ultimate beneficiaries by providing necessary training to enhance their capacity. Through this process, the borrower believes that its mission to increase the awareness of its stakeholders about environmental and social matters has been fulfilled.

TSKB Loan (L0381B):

- TSKB loan had been fully utilized as of April 18, 2022. Given that the closing date of L0381A was extended, the loan account closing procedure and monitoring timelines for L0381B were also extended together with L0381A.

Overall performance

The overall performance of the project is viewed as satisfactory, from compliance, environmental and social, procurement, and financial management point of view.

Components	Physical Progress	Environmental and Social Compliance	Procurement
1. Direct lending (TKYB facility, USD 270 million)	USD 269.25 million (net of USD 0.75 million of FEF) was fully disbursed by AIIB, and fully allocated to sub-borrowers.	The Borrower has established an Environmental and Social Management System (ESMS) and ES processes in accordance with the requirements stated in the Operational Manual (OM).	Given the sub-borrowers are all private entities, the beneficiaries have used established commercial practices or appropriate procurement methods to carry

		<p>The Borrower has followed the OM to report to AIIB the ES information and compliance in a timely manner.</p> <p>There was one sub-project under the TKYB direct lending facility that the Project Team (PT) felt was not conforming with the AIIB ES exclusion list. The same was substituted and the sub-loans are now in compliance.</p>	<p>out the procurement of subproject activities under the supervision of FIs. FIs have followed requirements as stated in OM for the assessment and supervision of the subprojects and also demonstrated that the procurement of the subprojects has properly followed the requirements of the Bank’s procurement policy.</p>
2. Apex lending (TKYB facility, USD 30 million)	USD 30 million was fully disbursed by AIIB, and fully allocated to sub-borrowers through PFI.	<p>TKYB has confirmed that the PFIs have established ESMS and ES processes in accordance with the requirements stated in the OM.</p>	
3. Direct lending (TSKB facility, USD 200 million)	USD 199.5 million (net of USD 0.5 million of FEF) was fully disbursed by AIIB, and fully allocated to sub-borrowers.	<p>The Borrower has established an ESMS and ES processes in accordance with the requirements stated in the OM.</p> <p>The Borrower has followed requirements in the OM and reported to AIIB on ES-related matters.</p>	

**Financial Management:**

The loan is fully disbursed, and the submission of the annual report, auditor’s report, and compliance certificate of the Borrower have followed the agreed schedule and local regulations. Both TSKB and TKYB continue to have in place adequate FM arrangements. In the audited annual report, the auditors

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expressed that the financial statements fairly represent the financial position of the Borrowers. The final audit report has been disclosed to the public via the below links:

<https://www.tskb.com.tr/en/investor-relations/financial-information>,

<https://kalkinma.com.tr/en/about-us/investor-relations/financial-information/auditors-report>. The

Borrowers will continue taking responsibility for the management and monitoring of sub-loan repayments. The Bank's loan maturity date is October 15, 2024.

On the Project financial statements, the TSKB and TKYB's audited project financial statements were received on time and deemed acceptable by the PT and can be reconciled with AIIB's record. The Designated Account reconciliation has been reviewed and confirmed to be in compliance.

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**7. Implementation of Environmental and Social Policy and project specific E&S instruments, including the project level Grievance Redress Mechanism (GRM)**

No Category A sub-loan was financed under AIIB facilities and there is no grievance received as of the closing date. The External Communication Mechanism (ECM) was established in a timely manner and disclosed on the Borrowers' corporate website:

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.

The ECM can be found on TSKB's website: Environmental Complaint Mechanism (<https://www.tskb.com.tr/en/about-us/contact-info/contact-form>) in both English and Turkish.

The Borrowers submitted all required ES monitoring reports according to agreed schedules during the implementation period. The project is the nature of providing working capital to entities and therefore carries relatively low ES risk.

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**8. Results Achieved (Against the original indicators and/or revised indicators. RMF table will be exported on the last page of this PCN.)**

The project had achieved its overall objective and accomplished all the targets set at project origination. For some result indicators, the accomplishment went much better than the original design, such as the number of qualified SME sub-borrowers under the Apex lending (94 SME sub-borrowers benefited against the target of 6), Non-performing loans (NPL) in the sub-portfolios (all remained 0% as of the closing date against the target of less than 5%). Overall, 149 sub-borrowers (out of which 100 were SMEs) have benefited from the project.

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**9. Investment Sustainability (operational, financial/commercial, institutional)**

The financial sustainability of the project has been well maintained and considered satisfactory.

Operational:

The project did not involve any physical constructions; therefore, no operation and maintenance of any physical assets would be required.

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Sub-borrowers are required to demonstrate their compliance with applicable ES regulatory requirements and commit to maintaining this status during the tenor of the sub-loan. TKYB and TSKB will receive at least annual ES performance information from the sub-borrowers.

Financial/commercial:

Despite the challenging macroeconomic environment in Türkiye, the portfolio projects and the Borrowers have generally exhibited very resilient financial performance (please refer to the below details). The project portfolio has evidenced zero NPLs as of the closing date.

TKYB is a state-owned (Republic of Türkiye Ministry of Treasury and Finance has 99.08% ownership) development bank established in 1975 by law. Its mission is to increase economic growth and contribute to both the employment and welfare of the population. TKYB has Long-Term Foreign- (LTFC) and Local-Currency (LTLC) Issuer Default Ratings (IDRs) at 'B+' by Fitch (March 2024) and benefits from a rating uplift due to the assumption of government support. According to its published financial statements, as of 2023-year end, TKYB has a total asset of 136 billion in Turkish Lira (approximately USD 4.2 billion) with a capital adequacy ratio of 16.7%.

TSKB was established in 1950 with the support from the World Bank, the Turkish Central Bank, and commercial banks. It is Türkiye's first privately owned development and investment bank. Its mission is to support the sustainable development of Türkiye by providing corporate banking, investment banking, and advisory services. TSKB has Long-Term Foreign-Currency (LTFC) Issuer Default Rating (IDR) of 'B-' and Long-Term Local-Currency (LTLC) IDR of 'B+' by Fitch (March 2024). According to its published financial statements, as of 2023-year end, TSKB has a total asset of 177 billion in Turkish Lira (approximately USD 5.5 billion) with a capital adequacy ratio of 26.2%.

Both TKYB and TSKB confirmed that the Bank provided liquidity support facility is necessary and relevant, especially for the SME sub-borrowers benefiting from it, and allowed them to continue their operations during the pandemic. The borrowers appreciate AIIB's immediate response to ease the negative effects of the COVID-19 pandemic by providing this facility in a quick and sizeable manner.

Institutional:

The project's proceeds mainly go to sectors that have strong relationships with AIIB's key strategic sectors (energy, transport, water, sustainable infrastructure, healthcare, ICT), or other productive sectors and activities that have critical inputs to infrastructure development, management, and operation (please refer to details in the next section). However even for sectors that have less strong links towards AIIB thematic priorities, financing under each sub-facility was also made available considering that some of these sectors might be important for providing employment and facilitating productive capacity build-up of infrastructure: TKYB direct lending was 10.8% (in USD amount), TKYB Apex lending facility was 29.0% (in USD amount), TSKB facility was 25.4% (in USD amount) respectively in such sectors. This on-lending helped enhance the overall institutional sustainability of the borrowers and also helped maintain the infrastructure, productive capacity, and employment capability of the portfolio companies.

Furthermore, it is observed that the project generated some initial positive externalities (support for innovation, job creation, and new business models). Quoting from the Borrower: *"By utilizing AIIB's financial products, we could extend a lifeline to these sub-borrowers, ensuring their survival and, subsequently, aiding in the preservation and creation of jobs within our community. This initiative*

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*significantly fortified our position as a development bank, enhancing our local business, impact, stakeholder relationships, and community trust.”* Unfortunately, these initial positive externalities were not monitored closely for reflections and potential further development. It is recommended to consider discussing with the Borrower to incorporate such relevant RMF indicators in future projects.

The project also helped develop the overall ES awareness and ES capacity of the Borrowers, which strengthened and improved their ES sustainability institutional-wise, i.e., going beyond the project scope and timeline. It is encouraging to see that one of the Borrowers has applied AIIB’s ES standards and practices at the corporate level: TSKB also created an Environmental and Social Risk Evaluation Tool (ERET) for Working Capital Loans to measure working capital loan risks.

#### 10. Compliance and Alignment with AIIB’s Policies and Strategic Priorities

On Apr 16, 2020 – about five weeks after the World Health Organization characterized the COVID-19 outbreak as a pandemic, AIIB launched a COVID-19 Crisis Recovery Facility (the Facility) with an initial financing envelope of USD5-10 billion over 18 months to help its sovereign and non-sovereign borrowers with crisis response and recovery. In 2021, the Facility was expanded to USD20 billion and made available until Dec. 31, 2023.

This Project was processed under this overall CRF facility and the use of proceeds is aligned with the AIIB COVID-19 Crisis Recovery Facility to address liquidity constraints for clients in infrastructure and other productive sectors.

Eligible sub-loans that may receive loan proceeds under this Facility have been classified by AIIB as follows:

Group 1: Strong relationship with AIIB’s key strategic sectors (energy, transport, water, sustainable infrastructure, healthcare, ICT)

Group 2: Generally other productive sectors and activities that are eligible under the draft OPS strategy (5.1.1. Critical inputs to infrastructure development, management, and operation.)

Group 3: Less strong link towards AIIB priorities, but not an Excluded Sector (See Figure 19 below).

Some of these sectors are important to safeguard employment and the productive capacity of infrastructure and OPS.

The table below presents the proceeds allocation (in USD amount) to Group 1, 2, and 3 under TKYB and TSKB Facilities, as of the reporting date.

	TKYB– Direct Lending	TKYB – Apex Lending	TSKB – Direct Lending
Group 1	8.2%	16.0%	25.6%
Group 2	81.1%	55.0%	49.0%
Group 3	10.7%	29.0%	25.4%
Total	100.0%	100.0%	100.0%

#### 11. Any outstanding issues not yet resolved, if applicable

Not applicable.

## 12. Lessons learned that can be considered for future investments

The Project has provided AIIB with valuable reflections and lessons to learn for future financings. These are recommended to be incorporated into the preparation, design, and supervision of subsequent similar FI facilities.

Lesson Tag	Lesson Description
Institutional	<p>It is observed that the overall ES awareness and capacity of the Borrowers has been strengthened and improved. It is also encouraging that one of the Borrowers has applied AIIB's ES standards and practices beyond the project scope. Particularly, TSKB created the Environmental and Social Risk Evaluation Tool (ERET) for Working Capital Loans to measure working capital loan risks.</p>
ES	<p>During the Project review missions, the AIIB Project Team (PT) noticed that there were sub-projects under the TKYB facility not conforming with the AIIB ES exclusion list. Through effective communication with the Borrower, the ineligible sub-loans were replaced with eligible sub-loans. However, this review and replacement process led to some delays, and eventually, the loan account closure could only happen 6 months after the project closure.</p> <p>It is recommended that PT shall provide training and learning opportunities at the early stage of the project to the borrower (preparation and implementation) through interactive knowledge and capacity-building sessions for the borrower, at both senior and middle management levels of the Project Implementation Unit (PIU)'s to allow the borrower to get familiarized with the Bank's ES policies and other policy requirements and implement the same. This goes beyond contractual and legal agreements and efforts made in the early stage of the Project would benefit the entire project implementation.</p> <p>FI project usually will use the existing GRM of the sub-borrower, i.e., there won't be a dedicated GRM set up particularly for the project. It therefore becomes challenging for the</p>



	<p>borrower to identify complaints or queries pertaining to AIIB projects.</p> <p>It is recommended to explore the possibilities of adopting measures to leverage advanced IT capabilities and help the borrower conduct GRM management effectively and efficiently, in line with the ES requirements of AIIB's.</p>
<p>Financial management</p>	<p>Management letter:</p> <p>The Management Letter, issued by the external auditor, is a standard business practice. It contains findings and recommendations for improving internal controls that were identified during the audit but were not required to be included in the auditor's internal control report. Other management-related issues, if any, may also be addressed in the Management Letter. For the AIIB project, the opinion in the auditor's report primarily focuses on the effectiveness of internal controls related to financial reporting. However, AIIB's primary interest lies in the operational aspects as well. AIIB aims to have a deeper understanding of factors that may impact project-level operations, even if they may not necessarily affect the accuracy of the financial statements or financial performance. Going forward, it is recommended that the Bank communicates with the borrowers at an early stage for the borrowers to understand that the Management Letter needs to be at the borrower's corporate level, i.e., not limited to the project's scope. It is also recommended that the borrower management's responses to the Management Letter should also be shared with AIIB as it typically provides management's intended measures to address any issues raised in the Management Letter.</p> <p>IFRS:</p> <p>While the borrowers have followed IFRS reporting and are in full compliance, the project team found that it was challenging to request the sub-borrowers to switch from local accounting standards to IFRS for the financial reporting under this project. Considering</p>

	<p>operational efficiency, as well as the current bank policy on financial reporting (i.e., IFRS is not required at the sub-borrower level for AIIB projects), it is recommended to allow the usage of local standards at the sub-borrower level. It is also recommended that PT provide clear guidance for the borrower to facilitate smoother implementation.</p> <p>Disclosure:</p> <p>Turkish local laws and regulations restrict client information disclosure. For FI projects, it means the sub-project and sub-borrower information shall not be disclosed publicly. It is recommended that borrowers disclose some summarized/aggregated information, e.g., sector-wise, avoiding particular sub-projects' or sub-borrowers' names, in the project reports to the Bank.</p>
<p>Project closing date extension</p>	<p>The closing date has been extended twice in a span of 18 months. Although there was no risk or impact on the Project objectives that was associated with the extensions and the extensions were deemed as a non-material change to the Project, the project team viewed the lessons learned as:</p> <p>Overall:</p> <p>While a reasonable closing date should be carefully determined at the project design stage, during implementation, some capacity building might be needed to support the borrower in mapping/screening potential sub-borrowers, training relevant staff, etc. to ensure smooth/successful deployment of the facility. Capacity building might also be required at the sub-borrower level, especially regarding ES and FM aspects to help the borrower maintain the credit quality of the portfolio.</p> <p>Apex lending:</p> <p>Apex lending is a form of lending to small and medium enterprises (SMEs) and exporters through partner financial institutions (PFIs),</p>

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	<p>including leasing companies, factoring companies, and commercial banks. At project appraisal, the PT evaluated TKYB as a qualified Apex lending agent as it has a dedicated team and significant experience with Apex lending. TKYB has engaged in apex lending since 2008, with 15 different partner financial institutions (PFIs) in its lending network as of 2019. During the project implementation, TKYB faced challenges in securing the sub-borrowers due to the short tenor, ES requirements, and sector eligibility criteria. E.g., some Turkish PFIs do not have an ES Management System for working capital loans which is a necessity under the project.</p> <p>While Apex lending agent selection is very important, due to the nature of Apex lending, close monitoring, necessary support from AIIB to the Apex lending agent, preparation for potential challenges, timely, and reasonable adjustments during implementation are also success factors of project effective execution.</p>
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**13. Borrower’s Feedback**

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The Borrower had overall good feedback for this project. The Borrower also indicated several areas where AIIB may consider providing assistance, such as longer tenor facility (5-10 years), IT system enhancements of the borrowers, more assistance in institutional capacity building for sub-borrowers, and continued support in the area of Environmental and Social management. SME sub-borrowers may not have ES Management Systems for working capital loans which is often a necessity to get liquidity support from MDBs, particularly for Paris Agreement alignment monitoring and reporting. The detailed feedback can be viewed in the annex of the client questionnaires. In general, the Borrowers concluded that AIIB’s responses to the Borrowers’ requests were timely and responsive during the project implementation.

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**14. Achievement of Project Results**

**Project Completion Note**

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Project Objective Indicators	Unit	Baseline		2021		2022		2023		End Target		
		Year	Value	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual
Amount of Financing	USD million	2020	0	300	281	475	500	475	500	2023	475	500
Amount of SME financing	USD million	2020	0	100	14	40	14	40	54 (TSKB: 6; TKYB: 30+18)	2023	40	54
Non-performing Loans in the Portfolio (TSKB)	%	2020	<5%	<5%	0%	<5%	0%	<5%	0%	2023	<5%	0%
Non-performing Loans in the Portfolio (TKYB)	%	2020	<5%	<5%	0%	<5%	0%	<5%	0%	2023	<5%	0%

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Number of Sub-borrowers (Direct Lending)	#	2020	0	10	25	30	44	30	55 (TSKB: 28; TKYB: 27)	2023	30	55
Utilization Rate (Direct Lending)	%	2020	0%	60%	70%	95%	100%	95%	100%	2023	95%	100%
Percentage of Loan Value in Group 1 and 2 Sectors (Direct Lending)	%	2020	0%	50%	76%	70%	82%	70%	TSKB: 75%; TKYB: 89%	2023	70%	TSKB: 75%; TKYB: 89%
Non-performing Loans (Direct Lending)	%	2020	0%	<5%	0%	<5%	0%	<5%	0%	2023	<5%	0%

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Prepared on July 8, 2024

Number of Partner Financial Institutions (Apex Lending)	#	2020	0	2	0	1	1	1	1	2023	1	1
Number of Sub-borrowers (Apex Lending)	#	2020	0	10	N/A	6	N/A	6	94	2023	6	94
Number of SME Sub-borrowers (Apex Lending)	#	2020	0	10	N/A	6	N/A	6	94	2023	6	94
Utilization Rate (Apex Lending)	%	2020	0%	60%	0%	95%	100%	95%	100%	2023	95%	100%
Percentage of Loan Value in Group 1	%	2020	0%	50%	N/A	70%	N/A	70%	70%	2023	70%	70%



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and 2 Sectors (Apex Lending)												
Non-performing Loans (Apex Lending)	%	2020	0%	<5%	N/A	<5%	N/A	<5%	0%	2023	<5%	0%

**15. Client Feedback Questionnaire**



**Project Completion Note**

Prepared on July 8, 2024

TKYB:

**Annex: Client Feedback on the Project**

1. Are the services and support provided by the Project Team professional, sufficient and in time, during project preparation and project implementation? [please provide some specifics or examples as an illustration.]

The services and support provided by the Project Team have indeed been professional, sufficient, and timely throughout both the preparation and implementation stages of our project. During the COVID-19 pandemic, which heavily impacted health systems, businesses, individuals, and global supply chains, the Asian Infrastructure Investment Bank (AIIB) acted swiftly to address the crisis by promptly introducing COVID-specific financing to the market. This quick move to offer loans was not only important because of the amount of money it provided but also because these loans were designed to be short-term, helping with immediate needs rather than long-term investments. This showed AIIB's fast response to lessen the pandemic's effects. The provision of this shorter-term financing option underscores AIIB's agility and commitment to supporting its members through immediate and effective financial solutions during a critical time of need.

Another significant instance that stands out is their proactive approach in extending the closing dates of our financial engagement. During the project, we faced several unforeseen challenges that threatened to disrupt our timeline. Recognizing the potential setbacks, we could encounter; the Project Team was quick to accommodate our needs by extending the loan closing dates. This extension wasn't just a superficial adjustment; the team meticulously assessed the situation, understood the constraints, and revised the schedule, offering us the much-needed leeway to manage these challenges effectively.

Project Team was not just focused on timelines but also committed to the project's overall health and our long-term success. The timely communication and the seamless processing enabled us to allocate our resources and attention to resolving the issues at hand without the added pressure of financial cutoffs.

2. Is it convenient to access to the Project Team's services and support? [please provide some specifics or examples as an illustration.]

The convenience of accessing the Project Team's services and support has been a standing out aspect of our collaboration, significantly enhancing the project's smooth progression. Despite the notable 5-hour time difference between Istanbul and Beijing, the team made an exceptional effort to remain accessible at all times.



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One specific example was during the year-end holiday season, a period generally characterized by limited availability. The Project Team was remarkably responsive, adjusting their schedules to remain within reach for crucial discussions, demonstrating an extraordinary commitment to our project.

Their readiness to make themselves available beyond regular working periods greatly facilitated the timely resolution of issues and decision-making processes, reinforcing not just the project's momentum, but also our trust and confidence in the Project Team's reliability and commitment.

3. Does the Project Team demonstrate flexibility and efficiency during project preparation and project implementation? [please provide some specifics or examples as an illustration.]

As we navigated through the complex phases of our project, certain elements and situations—beyond our control—necessitated amendments in the implementation of the facility, for example an extension of our financial timeline.

Recognizing the challenges and stakes involved, the Project Team facilitated the extension of the loan closing date twice. This was not a mere postponement; each time, they conducted a comprehensive review of the project status, recalibrated the timeline with justifiable reasoning, and communicated the changes effectively to all stakeholders.

This approach was a critical enabler to maintain the project's momentum. Their willingness to understand and adapt to our changing needs in a timely manner was a clear indication of their client-focused approach and a deep commitment to the project's success.

4. What is the value addition of AIIB's financing in the Project?

The role AIIB played as a financier during the challenging times of the COVID-19 pandemic was both strategic and humanitarian. Notably, AIIB was among the first institutions to offer a specialized financing option aimed at corporates (inc. mid-caps) and SMEs, recognizing the significant pressure these businesses were facing.

AIIB's funds helped us to support companies many of whom were in immediate need of working capital loans to sustain their enterprises through the economic downturn. This facility demonstrated AIIB's foresight and flexibility in product offerings, acknowledging that SMEs were the backbone of the economy needing immense support during such fragile times.



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By utilizing AIIB's financial products, we could extend a lifeline to these sub-borrowers, ensuring their survival and, subsequently, aiding in the preservation and creation of jobs within our community. This initiative significantly fortified our position as a development bank, enhancing our local business, impact, stakeholder relationships and community trust.

AIIB's proactive funding approach during a crisis has strengthened our partnership with them, proving they are not just a financier but a responsive and responsible entity committed to global economic resilience and recovery.

5. Will you consider working with the AIIB again in infrastructure development? Please provide a few specific reasons.

Based on working experience with AIIB and due to the many reasons, some of which are written below, we would strongly hope to be able to continue working with and deepening our partnership with AIIB in the future.

**Dedicated Lender to Türkiye:** First and foremost, AIIB's position as a dedicated lender to Türkiye stands out as a pivotal factor. The bank has provided support not only to us but also to numerous other borrowers across Türkiye, especially in strategic sectors. This support has been characterized by the provision of loans under favorable conditions, demonstrating AIIB's commitment to fostering development within the country. The bank's targeted approach in financing projects that are crucial for Türkiye's economic growth and development underscores its role as a key player.

**Targeted Financial Solutions:** AIIB demonstrated an exceptional ability to craft timely, targeted financial products during the COVID-19 pandemic. Their working capital facility was a critical lifeline for many SMEs during an unprecedented economic downturn. We value a partner who can swiftly respond to immediate market needs, showing agility in product development beyond traditional infrastructure financing.

**Supporting Economic Stability:** By enabling us to direct funds to sub-borrowers in need, AIIB played a crucial role in stabilizing local economies during the pandemic. This initiative aligns with our commitment as a development bank to support economic resilience in our community. Having a partner like AIIB, who understands the gravity and immediacy of such situations, is invaluable for us.



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**Risk Mitigation and Financial Security:** Providing a loan during a period of global economic uncertainty is risky. However, TKYB's and AIIB's joint careful risk assessment and management ensured that the funds were channeled responsibly, safeguarding both the end recipients' businesses and our development targets. Our common principles of risk management instills confidence in us for future collaborations with AIIB in any form.

**Enhanced Community Trust:** Thanks to our facility from AIIB, we were able to provide support to our clients during their time of need, which helped trust-building. Our partner AIIB's role to enhance our relations and trust with existing and new clients added a lot of value to our operations.

6. Given these experiences, Do you have any suggestion to the Project Team and/or the AIIB?

The agility, responsiveness, and deep commitment AIIB has shown in supporting companies in Türkiye through innovative financial products have been exemplary. AIIB's approach aligns perfectly with our goals and operational style, reinforcing our ability to serve our sub-borrowers effectively. Its developmental impact strategies, risk management tools, credit and environmental and social due diligence approach, and the ease of communication have significantly contributed to the success of our partnership.

As we look to the future, we recognize that the economic landscape and the challenges our clients face are continuously evolving. While we don't see anything to change per se, we emphatically encourage a commitment to the path we are on together. Continuing to foster open dialogue, sharing insights about market trends, and collaboratively exploring innovative financial solutions will be key to addressing future challenges together successfully.

We would wish for not just a continuation but a deepening of our collaboration with AIIB, in proactively addressing the needs of the market. We are enthusiastic about building on the solid foundation we have established and are confident that our joint efforts will continue to yield positive impacts in the jointly and carefully selected thematic areas.

7. Other comments (such as comments on the reporting requirements, approval of project changes, etc.)

Thank you for your faith and valuable partnership.

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TSKB:

### Annex: Client Feedback on the Project

1. Are the services and support provided by the Project Team professional, sufficient and in time, during project preparation and project implementation? [please provide some specifics or examples as an illustration.]

The Covid-19 Credit Line Project is the second loan agreement signed between AIIB and TSKB in 2020 having the aim of alleviating and mitigating economic and financial pressures arising from COVID-19 for the private sector companies operating in Türkiye.

During the outbreak of Covid-19 pandemic, AIIB positioned itself to facilitate new financing opportunities to its members, including Türkiye. Nonetheless, while reaffirming its core elements such as green infrastructure, AIIB expanded into social infrastructure and introduced Covid-19 crisis recovery funds to contribute to inclusive and sustainable development as well as resilient recovery. In this regard, TSKB has had the privilege to benefit from this recovery facility to support the Turkish real sector, in addition to the Sustainable Energy and Infrastructure On-lending Facility.

Within this perspective, from the beginning of the loan agreement process until the project implementation, AIIB Project Team has well understood the urgency of the situation and critical needs from TSKB's perspective and has provided timely and effective support and services. Close and prompt communication has enabled the TSKB Team to get direct feedback and support from AIIB Project Team, whereas AIIB Project Team has shared its extensive and up-to-date expertise with TSKB that has contributed positively to the project implementation.

During the project preparation and project implementation both parties had a cordial relationship and issues related to the project implementation were swiftly resolved. TSKB has well-equipped experienced teams in charge of corporate banking, project finance, project evaluation, appraisal, safeguards aspects and implementation. These teams are working in the same manner not only for AIIB projects but also for other projects of TSKB (other IFIs' sources) and trying to transfer the experience gained to the other institutions if possible and vice versa.

2. Is it convenient to access to the Project Team's services and support? [please provide some specifics or examples as an illustration.]

In line with the aforementioned nature of relationship between our institutions, AIIB Project Team has been always accessible, responsive and collaborative. It has communicated continuously with TSKB Project Team and provided financial and non-financial support during project preparation and implementation to better achieve intended objectives.

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3. Does the Project Team demonstrate flexibility and efficiency during project preparation and project implementation? [please provide some specifics or examples as an illustration.]

Further to the above, AIIB Project Team has demonstrated flexibility and efficiency during project preparation and project implementation to respond quickly to challenging conditions and needs, that has facilitated a sound implementation of the Facility.

During the project implementation, as TSKB had already gained familiarity and confidence with common implementation issues, the flexibility on the appraisal/approval processes of the eligible companies by TSKB has been useful to timely address the needs of the companies. Pursuant to the Project Operations Manual, TSKB had the ease of evaluating, monitoring and reporting of the environmental and social risk profile of the Sub-loans, with due consideration to the E&S risks and impacts of the industry sector where the Sub-borrower operates, and the E&S capacity and performance of the Sub-borrower.

4. What is the value addition of AIIB's financing in the Project?

As a development and investment bank, over the years TSKB has been supporting with its medium and long-term financing sustainable investments with renewable energy, energy and resource efficiency, environment, women's employment, developing regions and occupational health and safety themes in order to contribute to the sustainable growth, development, and green transformation of the Turkish manufacturing economy. However, with the Covid-19 outbreak, further needs in order to support working capital needs and liquidity constraints of the companies operating in the productive sectors and affected by the pandemic has emerged that required urgent actions of the banks including TSKB. In this regard, as above mentioned, AIIB positioned itself to facilitate financing opportunities for social infrastructure and introduced Covid-19 crisis recovery funds while providing appropriate financing products.

At project level, the main objective of the Covid-19 Credit Line Project was to reduce liquidity constraints and increase access to finance to corporates and small-medium enterprises operating in the infrastructure and eligible other productive sectors. In this regard, TSKB supported 28 Sub-borrowers and 33 Sub-loans, operating in various sectors such as metal and machinery, tourism, chemistry and plastics, real estate, construction, etc. and filled an important amount of financing support. All the funds from this loan were completely disbursed by TSKB in accordance with the Operations Manual as of October 2021. In addition, two Sub-borrowers under the portfolio have been rolled over due to further working capital needs of the companies.

5. Will you consider working with the AIIB again in infrastructure development? Please provide a few specific reasons.

After the successful implementation and completion of both TSKB Sustainable Energy and Infrastructure Phase 1 Facility and TSKB Covid-19 Credit Line Project, TSKB and AIIB signed a third agreement in 2022 as a continuation of the Phase 1 Facility to support Türkiye's climate mitigation and adaptation commitments under the Paris Climate Agreement. Proceeds from the Phase 2 Facility will be on-lent to eligible private sector entities to finance eligible climate mitigation, climate adaptation and climate industry projects in Türkiye's energy, infrastructure, and other productive sectors.

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In this regard, TSKB will continue to provide financing for infrastructure related investments with a focus on renewable energy, energy and resource efficiency, resource efficiency, circular economy and enabling climate investments in order to support Türkiye's transition to a low carbon economy. AIIB supports financing within particular sectors and the green infrastructure including renewable energy and energy efficiency is set as one of the thematic priorities. Furthermore, TSKB has increased its capacity on climate industries and climate adaptation themes through the valuable expertise of the AIIB which enable the Bank to further support the climate ecosystem. In this perspective, TSKB would like to continue working with the AIIB in infrastructure development and continue to further strengthen its capacity.

TSKB also gained a lot of experience during the above-mentioned facilities on the technical, environmental and social issues and enhanced its institutional capacity. In addition to accumulated technical experience, TSKB strengthened its reputation among the Turkish market and today TSKB is well known financier addressing sustainable investments and encouraging companies towards more responsible and sustainable practices.

In this regard, TSKB looks forward to enhancing the cooperation with AIIB focusing on climate investments (RE, EE, ResE, Climate Adaptation, Climate Industries, Circular Economy, and other innovative areas) which needs long term financing as well as other sustainability related topics that may emerge depending on the needs in future.

**6. Do you have any suggestion to the Project Team and/or the AIIB?**

AIIB possesses a high level of expertise and experience that directly contributes to the Project through knowledge sharing and capacity building, as well as utilization of resources efficiently. Thus, further transactions and collaborations would be beneficial for TSKB.

AIIB applies high environmental, social and governance standards and possesses clear rules on transparency in the AIIB's Environmental and Social Framework. AIIB Project Team has been efficient to recommend holistic and coherent solutions on approval of projects and reporting requirements and provide further guidance regarding environmental and social aspects. In this regard, TSKB has improved its capacity in annual environmental and social reporting as well as preparing project appraisal forms and monitoring reports in good coordination with AIIB. In addition, under the Covid-19 Credit Line Project, TSKB has expanded the scope of its environmental and social risk management approach to include working capital loans. Playing a leading role in the industry, TSKB created the Environmental and Social Risk Evaluation Tool (ERET) for Working Capital Loans to measure working capital loan risks.

**7. Other comments (such as comments on the reporting requirements, approval of project changes, etc.)**

As mentioned above, the flexibility on the approval process has been efficient to timely respond the needs of the eligible sub-borrowers. Nevertheless, comprehensive reporting requirements pursuant to the financing agreements have sometimes led to delays in review processes and disbursements. Parties may try to improve and optimize the required documentation in order to increase the implementation efficiency.