

SBF Project Implementation Monitoring Report

Turkey: Turkey Gas Storage Expansion Project

1. Project Information

Project ID:	000062	Investment Number:	L0062A
Member:	Turkey	Region:	Western asia
Sector:	Energy	Sub-sector:	Oil and gas transmission and distribution
AIIB Financing Type:	Loan: 600 USD million	Co-financier(s):	WB-led
E&S category:	A	Borrower:	Boru Hattari Ile Petrol Tasima A.S. (BOTAS)
Red Flags Assigned:	2	Monitoring Regime:	Enhanced Monitoring- Level I
Implementing Agency:	Boru Hattari Ile Petrol Tasima (BOTAS)		
Project Team Leader:	Hari Bhaskar		
Project Team Members:	Somnath Basu, Principal Social Development Specialist Giacomo Ottolini, Procurement Consultant Shonell Robinson, Financial Management Specialist		
Completed Site Visits by AIIB:	Sep, 2020 Missions conducted in Aug 2018, Feb 2019, Sep 2019, Mar 2020, Jun 2020 and Sep 2020. Almost weekly / bi-weekly calls being conducted among WB, AIIB and the borrower post suspension.		
Planned Site Visits by AIIB:	Oct, 2021 Planned virtual mission		

2. Project Summary and Objectives

The project objective is to increase the reliability and security of Turkey's gas supply by expanding underground gas storage capacity. The main components are

- Gas storage expansion facilities comprising the entire civil, mechanical, electrical and instrumentation works including water and brine pipelines, surface facilities, sub surface facilities, electricity supply and instrumentation control
- Supervision consultancy for supervising the construction and installation of the facilities
- E&S consultancy for monitoring and compliance of ESIA and RAP

The project is co-financed with IBRD. AIIB and IBRD financing USD 600 million respectively. IBRD has already financed the original gas storage project in the same location (current project is an expansion project).

3. Key Dates

Approval:	Jun. 24, 2018	Signing:	Jun. 27, 2018
Effective:	Jul. 17, 2018	Restructured (if any):	
Orig. Closing:	Oct. 31, 2024	Rev. Closing (if any):	

4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	600	b) Cancellation (if any):	
c) Disbursed:	265.97	d) Most recent disbursement: (amount / date)	11.95, Mar. 24, 2021
e) Undisbursed:	334.03	f) Disbursement Ratio(%) ¹ :	44.3

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 has been partially suspended by World Bank and AIIB due to E&S non-compliance issues, as reported in the earlier PIMR. The main issues are delayed preparation of vulnerability assessment report and the consequent delayed vulnerability assessment payments, inadequate OHS implementation practices, and progress in civil construction works of the transmission lines without updating the resettlement action plan (and thereby missing potential compensation payments).

World Bank notified BOTAS of partial suspension on April 15, 2021 while AIIB issued the partial suspension notice on April 16, 2021. Regular review meetings

among BOTAS, World Bank and AIIB taking place to review the progress of mitigation actions required to be undertaken by BOTAS for WB and AIIB to lift the suspension. Both WB and AIIB are of the opinion that BOTAS' management has taken the suspension by the banks seriously and have been attending to the mitigation actions. The updates on the mitigation actions are as follows:

- i) Vulnerability allowance payments: Mitigation actions are well advanced. We are close to an agreement on the methodology to use for the vulnerability assessment and payments after which payments can be finalized. BOTAS has a good track record making these payments. We expect this issue to be closed by early to mid August 2021.
- ii) Occupational Health and Safety (OHS) conditions: Resolved to the banks' satisfaction.
- iii) Environmental non-compliance: Almost completed. We expect this issue to be closed in July 2021.
- iv) RAP audit reports and compensation payments for affected parties by the construction of electricity transmission lines: This is the most time consuming of all the issues. BOTAS has submitted the RAP audit reports that have been reviewed by the banks and returned to BOTAS. Revised RAP audit and remedial action plan required to proceed further. BOTAS working on these documents. WB and AIIB are in regular touch with BOTAS both to review progress and to guide them on these actions.

BOTAS' senior management has taken the partial suspension seriously and is making positive efforts to implement the mitigation actions. Three out of the four actions are either completed or in an advanced stage of completion.

The suspension continues until all the issues are addressed to WB and AIIB's satisfaction.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Tuz Golu gas storage expansion facilities (USD590 million)	Top hole drilling, fresh and brine discharge pipelines, and energy transmission works ongoing. Approximately 35-40% of the works are completed. Delays experienced in equipment supply due to Covid 19 impact.	Non-compliance has resulted in partial suspension of the loan by World Bank and AIIB	Major procurement completed.
Component 2: Supervision consultancy (USD8 million)	Contract awarded and the consulting firm is on board.	N/A	Completed
Component 3: ESIA and RAP monitoring consultancy (USD2 million)	Contract awarded and the consulting firm is on board.	N/A - this consultant is monitoring E&S compliance of works at the project site but has no E&S compliance issues themselves.	Completed

Financial Management:

BOTAS' audit report was received in Oct 2020 while the project audit report is pending. World Bank is following up with the borrower. The delay is mainly a consequence of the pandemic.

6. Status of the Grievance Redress Mechanism (GRM)

GRM has been established and is functional. About 20 grievances are open. BOTAS in the process of attending to them. Some of the open grievances relate to additional demands / requests from the landowners on land acquisition and employment opportunities.

7. Results Monitoring

Actual results of end 2020 were originally supposed to be measured in Q1 2021 but is delayed due to restriction of movements induced by the pandemic. Some of the indicators are likely to be achieved later than projected due to the pandemic related delays.

A comprehensive review of the project status including the status of the results indicators will be done during the next mission and once the suspension issue is resolved.

Baseline Year: Jun. 24, 2018 End Target Year: Oct. 31, 2024

Project Objective Indicators #1

Reduction of gas supply curtailments (billion cubic meter)

Year	Target	Actual	Others, if any
Dec. 31, 2020	0	1.5 bcm	1.5 bcm is as of Sep 2020. End 2020 actuals are likely to be measured in Q4 2021 - delayed due to Covid 19 impact.

Project Objective Indicators #2

Reduction of spot LNG purchases (%)

Year	Target	Actual	Others, if any
Dec. 31, 2020	0	0	Actual reduction is estimated to happen from 2022, as per the original project design

Project Objective Indicators #3

Increase in gas storage capacity (billion cubic meter)

Year	Target	Actual	Others, if any
Dec. 31, 2020	0	0	with first reservoir expected to be commissioned in 2022, storage capacity will start coming into play from 2022 and not earlier.

Intermediate Result Indicators #1

Turkish consumers benefitting from gas supply (million)

Year	Target	Actual	Others, if any
Dec. 31, 2020	15	15.74	As of September 2020

Intermediate Result Indicators #2

Implementing RAP to compensate project affected persons (%)

Year	Target	Actual	Others, if any
Dec. 31, 2020	100	n/a	Measurement delayed. Also, one of the reasons for partial suspension is the failure to update RAP in time and the delays in providing compensation.

Intermediate Result Indicators #3

Registered grievances addressed within the stipulated time frame (%)

Year	Target	Actual	Others, if any
Dec. 31, 2020	60	60	Actual number shown is as of September 2020. End 2020 actuals likely to be measured in Q4 2021 - delayed due to Covid 19 impact.

Intermediate Result Indicators #4

Indicator #4: Registered grievances submitted by women addressed within the stipulated time frame (%)

Year	Target	Actual	Others, if any
Dec. 31, 2020	60	60	Actual number shown is as of September 2020. End 2020 actuals likely to be measured in Q4 2021 - delayed due to Covid 19 impact.

Intermediate Result Indicators #5

Number of community consultations held for women in proportion to the total number of consultations held (Ratio)

Year	Target	Actual	Others, if any
Dec. 31, 2020	25	n/a	End 2020 actuals likely to be measured in Q4 2021 - delayed due to Covid 19 impact.

Remarks: There is a probability that achieving some of the intermediate results indicators target numbers could be delayed due to lack of progress attributable to the pandemic.

Our missions are always a good opportunity to verify the progress of results indicators. While BOTAS is working on remedial actions to trigger lifting of suspension, the pandemic has also played a role in delayed measurement of results indicators for 2020. We will be in continuous touch with BOTAS to measure the results for 2020 as soon as the situation allows BOTAS team to measure them.