

Project Implementation Monitoring Report (#3)

Reporting Period From 2024/02 To 2024/11

Türkiye : TSKB Sustainable Energy and Infrastructure On-lending Facility, Phase 2

1. Project Information

| | | | |
|--------------------------------|--|------------------------|--|
| Project ID: | P000546 | Instrument ID: | L0546A |
| Member: | Türkiye | Region: | Western Asia |
| Sector: | Multi-sector | Sub-sector: | Multi-subsector |
| Instrument type: | <input checked="" type="checkbox"/> Loan:200.00 US Dollar million <input type="checkbox"/> Guarantee | Lead Co-financier (s): | |
| ES category: | FI | Borrowing Entity: | Industrial Development Bank of Türkiye |
| Implementing Entity: | Industrial Development Bank of Türkiye | | |
| Project Team Leader: | Francisco-José Fortuny Carod | | |
| Responsible DG: | Gregory Liu | | |
| Responsible Department: | FIF | | |
| Project Team Members: | Liu Yang, Project Counsel; Rui Xiang, SFD - Financial Management Specialist; Jingrong He, SFD - Procurement Specialist; Ercan Ozbulut, SFD - Social Development Specialist; Alberto Alcubilla Arribas, Climate Specialist; Elif Sel-Freischlager, Co-PTL; Elif Sel-Freischlager, Back-up PTL | | |
| Completed Site Visits by AIIB: | Nov, 2022 In-person visit to TSKB headquarters in Istanbul to finalized the negotiations before signing. Sep, 2023 The Project Team visited TSKB headquarters and one of the selected sub-projects to review the Environmental and Social (E&S) compliance May, 2024 Introduction to the new Environmental & Social team at TSKB's headquarters in Istanbul. The visit primarily addressed the environmental and social components of the projects approved under the facility. Jun, 2024 In-person meeting at TSKB's headquarters in Istanbul between AIIB's FIF and TSKB Financial Institutions Team to review status of the second facility (disbursed as of June 28 at USD135 out of USD200 million commitment). Oct, 2024 In-person meeting at TSKB's headquarters in Istanbul between AIIB's FIF, Loan Management and TSKB's Financial Institutions and Loan Operations team to introduce the new AIIB Client Portal online platform. A comprehensive training on the portal and a live demo were provided. | | |
| Planned Site Visits by AIIB: | | | |
| Current Red Flags Assigned: | 0 | | |
| Current Monitoring Regime: | Regular Monitoring | | |
| Previous Red Flags Assigned: | 0 | | |
| Previous Red Flags | 2024/01 | | |

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Assigned Date:

2. Project Summary and Objectives

The Project's objective is to boost Türkiye's renewable energy and energy efficiency plans by providing long-term financing (Sub-loans) through TSKB to privately-owned companies (Sub-borrowers) investing and developing projects (Sub-projects) that meet:

(i) Climate mitigation: Renewable Energy projects, including onshore and offshore wind power plants, utility-scale and decentralized solar photovoltaic plants, biogas or landfill gas, and associated technology solutions such as battery energy storage systems. Likewise, Energy Efficiency projects promote investments in buildings, equipment, systems, processes, and networks that reduce the consumption or loss of primary energy or final electricity in eligible industries.

(ii) Climate adaptation: investing in climate resilience of processes, equipment, buildings reinforcement, disaster protection, and structures in eligible industries to mitigate the negative impacts or take advantage of the positive impacts of climate change in line with the country's adaptation strategies. Sub-projects are expected to benefit water-intense eligible industries by promoting resource preservation and recycling or adopting and integrating climate resilience measures into their processes.

(iii) Climate industries: within eligible manufacturing activities that contribute to the supply of goods and services include, among others, e-mobility (e.g., electric vehicle charging infrastructure and manufacturing), RES technology (e.g., solar panels, inverters, trackers, wind turbines, BESS), grid technologies (e.g., smart meters, smart grids) or clean hydrogen.

The Project's key results are related to the expansion of the installed capacity of RES generation and improving the EE performance of existing production assets, buildings, and networks in Türkiye, among others, total renewable energy capacity installed (MW), battery energy storage systems capacity installed (MW), GHG avoidance (CO₂), primary energy consumption saved (GWh).

3. Key Dates

| | | | |
|----------------|---------------|------------------------|---------------|
| Approval: | Nov. 23, 2022 | Signing: | Dec. 01, 2022 |
| Effective: | Mar. 29, 2023 | Restructured (if any): | |
| Orig. Closing: | Dec. 01, 2022 | Rev. Closing (if any): | Dec. 31, 2025 |

4. Disbursement Summary (USD million)

| | | | |
|-------------------|--------|---------------------------------------|---------------------|
| Contract Awarded: | | Cancellation (if any): | 0.00 |
| Disbursed: | 152.20 | Latest disbursement (amount/date): | 21.31/Sep. 30, 2024 |
| Undisbursed: | 47.80 | Disbursement Ratio (%) ¹ : | 76.10 |

5. Project Implementation Update

The loan facility (L0546A) was declared effective on March 29, 2023. Two disbursements amounting to

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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USD 51.4 million were carried out during the reporting period: (a) USD 30.1 million on June 28, 2024 and (b) USD 21.3 million on September 30, 2024. The disbursements were used by the Borrower to support four (4) approved sub-projects. The proceeds may additionally support four (4) pipeline projects under consideration by TSKB. The Four approved sub-projects include: three climate mitigation- energy efficiency projects, one climate mitigation - renewable energy, solar power plant project and one climate adaptation project. Four sub-projects in the pipeline are four climate mitigation / renewable energy sub-projects. Disbursements amounting to USD 100.2 were carried out during the previous reporting periods: USD 30.0 million on March 29, 2023, USD 24.3 million on June 28, 2023 and USD 45.9 million on December 15, 2023 and were used by the Borrower to support 3 approved sub-project include: one hybrid solar power plant, one climate adaptation and one wind power plant as well as for pipeline projects. The Borrower has disbursed USD 160.7 million out of USD 184.3 million it has committed to the combined Sub-projects. The Borrower is well on track to deploy the funds before the closing of the loan on December 31, 2025. The next utilization of the facility is expected in December 2024.

| Components | Physical Progress | Environmental & Social Compliance | Procurement |
|----------------------------|--|-----------------------------------|----------------|
| Sub-loans for Sub-projects | All four approved projects are under construction. | In compliance. | In compliance. |

Financial Management:

As confirmed during the appraisal of the project, TSKB continues to have in place adequate Financial Management arrangements which are deemed to be well functioning. No significant internal control deficiencies were noted.

The Interim Financial Report for the period ended June 30, 2023 was submitted on January 5, 2024. The next Interim Financial Report is for the period ended December 31, 2023.

6. Status of the Grievance Redress Mechanism (GRM)

The Borrower has established an External Communication Mechanism (ECM), which is a GRM equivalent for financial intermediaries, providing a link to AIIB Policy on the Project-Affected People's Mechanism (PPM) for the sub-projects that TSKB will finance under this loan agreement. Stakeholders of these projects can contact TSKB if they have environmental and social (E&S) concerns and in cases of misconduct, or to submit to AIIB through the notification web page indicated. Likewise, sub-borrowers are required to establish a GRM at the sub-project level.

Link to the ECM: <https://www.tskb.com.tr/en/services/corporate-banking/our-global-resources/environmental-social-and-other-procedures>

The Project has not received any grievance so far.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

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.

Remarks:

| Project Objective Indicators | Indicator level | Unit Measure of | Cumulative Target Values | | | | | | | | | | | | | | | Frequency | Responsibility | Comments | |
|--|-----------------|------------------------|--------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------------|--------|---------|-----------|----------------|----------|--|
| | | | Baseline | | 2022 | | 2023 | | 2024 | | 2025 | | 2026 | | End Target | | | | | | |
| | | | Year | Value | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Year | Target | Actual | | | | |
| Total generation capacity installed (renewable) | Portfolio | MW | 2022 | | | | | | | | | | | | | | 300 | | Annual | Borrower | |
| BESS capacity installed | Project | MW | 2022 | | | | | | | | | | | | | | - | | Annual | Borrower | |
| Primary energy consumption saved | Project | GWh | 2022 | | | | | | | | | | | | | | | | Annual | | |
| Greenhouse gas emission reduced (for energy efficiency subloans) | Project | Tons of CO2 equivalent | 2022 | | | | | | | | | | | | | | 750,000 | | Annual | | |
| Greenhouse gas emission avoided (for renewable energy subloans) | Project | Tons of CO2 equivalent | 2022 | | | | | | | | | | | | | | 750,000 | | Annual | | |

| Project Intermediate Indicators | Indicator level | Unit Measure of | Cumulative Target Values | | | | | | | | | | | | | | | Frequency | Responsibility | Comments | |
|--------------------------------------|-----------------|-----------------|--------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------------|--------|--------|-----------|----------------|----------|--|
| | | | Baseline | | 2022 | | 2023 | | 2024 | | 2025 | | 2026 | | End Target | | | | | | |
| | | | Year | Value | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Year | Target | Actual | | | | |
| Amount of private capital mobilized | Portfolio | USD million | 2022 | | | | | | | | | | | | | | 75 | | Annual | Borrower | |
| Technology-enabled investments | Project | USD mio. | 2022 | | | | | | | | | | | | | | 20 | | Annual | Borrower | |
| Natural disaster resilience projects | Project | # projects | 2022 | | | | | | | | | | | | | | - | | Annual | Borrower | |
| Total T&D lines financed | Project | km | 2022 | | | | | | | | | | | | | | - | | Annual | Borrower | |
| AIIB co-financing amount | Project | USD million | 2022 | | | | | | | | | | | | | | 50 | | Annual | Borrower | |
| Non-performing loans (facility) | Project | % | 2022 | | | | | | | | | | | | | | <5.0% | | Annual | Borrower | |
| Gender-disaggregated data | Project | % | 2022 | | | | | | | | | | | | | | TBD | | Annual | Borrower | |

| | | | | | | | | | | | | | | | | | | | | |
|---|---------|-------------|------|--|--|--|--|------|--|------|--|--|--|--|--|-----|--|--------|----------|--|
| Amount Of Investment in Renewable Energy | Project | USD Million | 2022 | | | | | 60 | | 73 | | | | | | 120 | | Annual | Borrower | |
| Amount Of Investment in Energy Efficiency | Project | USD Million | 2022 | | | | | 0 | | 28.7 | | | | | | 40 | | Annual | Borrower | |
| AIIB Investments in Climate Adaptation | Project | USD mio. | 2022 | | | | | 16.3 | | 26.3 | | | | | | 10 | | Annual | Borrower | |
| AIIB investment in Climate Industries | Project | USD mio. | 2022 | | | | | 0 | | 0 | | | | | | 10 | | Annual | Borrower | |