

Project Implementation Monitoring Report (#5)

Reporting Period From 2023/08 To 2024/04

Türkiye : Ispartakule-Cerkezko y Railway Project

1. Project Information

Project ID:	P000345	Instrument ID:	L0345A
Member:	Türkiye	Region:	Western Asia
Sector:	Transport	Sub-sector:	Rail transport
Instrument type:	<input checked="" type="checkbox"/> Loan:300.00 Euro million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	European Bank for Reconstruction and Development
ES category:	A	Borrowing Entity:	Ministry of Treasury and Finance, Türkiye
Implementing Entity:	Ministry of Transport and Infrastructure, Türkiye		
Project Team Leader:	Natalia Sanz		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Liu Yang, Alternate Counsel; Yogesh Malla, OSD - Financial Management Specialist; Chitambala Sikazwe, OSD - Procurement Specialist; Odil Akbarov, OSD - Social Development Specialist; Muzaffar Ahmad, OSD - Environment Specialist; Jiaming Yu, Project admin		
Completed Site Visits by AIIB:	Oct, 2022 Jul, 2023 Environmental and Social site visit - AIIB ES specialist represented all lenders Oct, 2023 AIIB and EBRD Physical Project Implementation Support and Supervision Mission.		
Planned Site Visits by AIIB:	Jul, 2024 Full Monitoring mission to set up an action plan with concrete milestones to improve implementation. May, 2024 AIIB and EBRD ES supervision mission		
Current Red Flags Assigned:	2		
Current Monitoring Regime:	Enhanced Monitoring- Level I		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2023/07		

2. Project Summary and Objectives

The Project objective is to increase passenger and freight capacity, safety and speed of rail transport between Türkiye and the European Union through the construction of a high-speed railway line between Ispartakule and Cerkezko y. The Project benefits include increased number of passengers and freight tons carried, reduced average travel time, and reduced greenhouse gas emissions.

The Project comprises high-speed railway civil works, supervision consultant, implementation support and compensation for resettlement (RAP Fund). The RAP Fund will cover livelihood restoration activities and is defined as additional payments above the compensation paid by the implementing agency for land acquisition, which is calculated according to Türkiye's regulations. Provision of the RAP Fund will enable the achievement of full

Project Implementation Monitoring Report (#5)

Reporting Period From 2023/08 To 2024/04

replacement values in accordance with EBRD Performance Requirement 5.

The Project is part of the Halkali–Kapikule Railway Line, a strategic corridor being developed in line with the Turkish national transport strategies and the European Union’s Country Strategy for Türkiye (2014–2020). It aims to establish a safe, accessible, sustainable, and inter-operable national rail transport corridor in line with EU standards and with appropriate Trans-European Transport Network (TEN-T) connections. The Project is aligned with AIIB’s thematic priority of Connectivity and Regional Cooperation, as well as with the AIIB Transport Sector Strategy priority of improving transport network capacity and connectivity.

The Project will be jointly cofinanced by EBRD and AIIB and will follow the arrangements set by the agreement between the two banks signed in April 2021. Therefore, EBRD’s Environmental and Social Policy, Procurement Policies and Rules, and Independent Project Accountability Mechanism will apply in lieu of AIIB’s Environmental and Social Policy, Procurement Policy, and Project-affected People’s Mechanism, respectively.

3. Key Dates

Approval:	Nov. 25, 2021	Signing:	Dec. 08, 2021
Effective:	Feb. 11, 2022	Restructured (if any):	
Orig. Closing:	May. 31, 2027	Rev. Closing (if any):	

4. Disbursement Summary (EUR million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	27.40	Latest disbursement (amount/date):	0.19/Mar. 08, 2023
Undisbursed:	272.60	Disbursement Ratio (%) ¹ :	9.13

5. Project Implementation Update

The Project became effective in February 2022, and started disbursing in April 2022. The Civil Works contract was executed in December 2022, and the first disbursement was processed in July 2023. In January 2023, the Supervision Consultant contract was signed, and the first disbursement for their services was also made in July 2023. The PIU Support Consultant, hired in December 2021, is currently providing support services. In the context of resettlement, negotiation meetings with affected individuals have been progressively conducted. However, the RAP Fund, financed with AIIB proceeds, and under the responsibility of AYGM has not been disbursing as expected, due to a delay in the change of implementation scheme, that will be now channeled through the civil works contractor. To ensure clear financial management, AYGM, AIIB, and EBRD are collaboratively finalizing arrangements based on EBRD's previous experience with similar projects related to flow of funds and reporting. Given the delay in the RAP process mentioned above, added to postponements in issuing quarry permits and

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.

Project Implementation Monitoring Report (#5)

Reporting Period From 2023/08 To 2024/04

potential design modifications suggested by the civil works contractor or requested by TCDD, delays in construction schedule are deemed material. An implementation monitoring mission is planned for July, with participation of relevant departments from the Bank, to meet with the relevant stakeholders and define an action plan with clear milestones for the project.

Components	Physical Progress	Environmental & Social Compliance	Procurement
<p>Component A - Civil Works and Supervision Consultant (AIIB: EUR295 m). Construction of 67 km of new double-track, electrified, high-speed railway from Ispartakule station, to just before Cerkezkoy station, as well as the construction supervision contract.</p>	<p>Civil Works contract signed in December 2022. Ongoing deployment and preparation of construction sites. Supervision Consultant contract signed in January 2023.</p>	<p>The Lenders' ES Advisor has been working and conducts external ES monitoring. Construction has now commenced in Cerkezkoy, ahead of finalization of some E&S Project commitments. Some E&S positions (Community Liaison Officer, HR/Labor Specialist, Livelihood Support Specialist, Rail Safety Manager) are vacant, due to high personal turnaround, which is resulting in sub-par implementation of E&S measures. Also, various construction E&S Management Plans are still outstanding and awaiting submission / revision by the construction contractor. These issues present considerable risk through inadequate management of E&S aspects. AIIB E&S Specialists in consultation with EBRD's E&S Specialist plan to increase the frequency of the site visits to every quarter to monitor and advocate for better E&S management until E&S improvement is observed.</p> <p>Internal monitoring of RAP implementation has been carried out and reported to the lenders bimonthly by AYGM. The Supervision Consultant has started the External Monitoring of RAP implementation. The RAP needs to be revised. The Banks prepared a TOR for the capacity support for the RAP update. The External Monitoring consultant kicked off RAP update process with AYGM and the PIU on November 24, 2023. There is a delay in the implementation of the Resettlement Action Plan. Lack of</p>	<p>Civil Works contract was signed in December 2022. Supervision Consultant contract signed in January 2023.</p>

Project Implementation Monitoring Report (#5)

Reporting Period From 2023/08 To 2024/04

		progress in land acquisition has the potential to delay construction activities and the completion of the Project.	
Component B - Project Management Support (AIIB: EUR1m). Hiring of consultants for capacity strengthening and technical assistance to the Project Implementation Unit (PIU) for project management, procurement, monitoring, contract implementation, financial management and environmental and social activities.	Quarterly reports submitted to the satisfaction of the co-financiers.	N/A	PIU consultant hired in December 2021.
Component C - Livelihood Restoration Activities as per EBRD PR5 (RAP Fund) (AIIB: EUR4 m) AIIB only financing. Additional payments above the compensation paid by AYG M for land acquisition calculated according to Türkiye 's Law No. 2942 on Expropriation, to achieve full replacement values in accordance with EBRD Performance Requirement 5 (PR 5).	The RAP Fund disbursements, part of AIIB loan, are delayed. This delay was initially due to the change in the implementation scheme, the "RAP Update and Implementation Consultant" is still working with the Contractor on the change in modality to implement the RAP Fund. Currently, appointed consultant firm is awaiting the completion of the update of the land asset valuation studies and decision on the implementation committee structure. According to the assessment conducted, the majority of the documents are expected to be	This component follows the RAP Fund Manual and EBRD's PR5 requirements. The RAP is currently being updated and will include the update of the RAP Fund Manual, in order to have only one comprehensive document considering all the RAP related aspects.	N/A

Project Implementation Monitoring Report (#5)

Reporting Period From 2023/08 To 2024/04

	<p>completed later than originally expected, by the end of the second quarter of 2024. In addition, a new resettlement entitlement matrix and RAP implementation schedule will be prepared within the second quarter of 2024. The use of proceeds from the RAP Fund is expected to start on the 3rd quarter of 2024 accordingly.</p>		
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Financial Management:

The IUFRRs have been submitted on timely basis and no quality issues noted. The audited financial statements for FY 2022 were submitted on time. The auditor issued clean audit opinion with no comments in the management letter. The total disbursement is about EUR27.22 million including the advance of about EURO.80 million.

6. Status of the Grievance Redress Mechanism (GRM)

The GRM has been established at the AYGM level. Most of the grievances are related to expropriation-originated issues such as questions about the project background, project design, assistance to negotiation meetings, and informative letters.

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

Project results intermediate indicators are behind schedule due to delays in RAP implementation and civil works advancement.

Remarks:

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values																			Frequency	Responsibility	Comments			
			Baseline		2019		2020		2021		2022		2023		2024		2025		2026		End Target						
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year				Target	Actual	
Passenger handled per annum	Portfolio	Number	2021	1000000					1000000	-	-	-	-						4400000				4400000		Project close	AYGM	
Tons of freight handled per annum	Portfolio	Ton	2021	0.5					0.5	-	-	-	-						2				2		Project close	AYGM	
Average travel time	Project	Minutes	2021	70					70	-	-	-	-						29				29		Project close	AYGM	

Project Intermediate Indicators	Indicator level	Unit of Measure	Cumulative Target Values																	Frequency	Responsibility	Comments			
			Baseline		2021		2022		2023		2024		2025		2026		End Target								
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual						
Local labor employment as a percentage of total labor employment in civil works contract	Project	Percentage	2021	0	0	0	20	0	23	10	25			28		28			28				Annual	AYGM	Civil Works contract signed in Dec 2022
1. Kilometers Constructed	Project	Km	2021	0	0	0	15	0	31	0	48			67		67			67				Annual	AYGM	Civil Works contract signed in Dec 2022
Percentage of RAP fund compensation paid in full (cumulative)	Project	Percentage	2021	0	0	0	50	0	75	0	100			100		100			100				Annual	AYGM	RAP Fund pending Turkiye Office of the President's approval
Percentage of female full-time staff/consultants in the Project PIU	Project	Percentage	2021	30	30	0	35	40	40	40	45			48		50			50				Annual	AYGM	