

## Cover Page for CTF Program Approval Request

<b>1. Country/Region</b>	Turkey	<b>2. CIF Project ID#</b>	(Trustee will assign ID)
<b>3. Program Title</b>	Turkey Residential Energy Efficiency Finance Facility (TuREEFF) Turkey Municipal Sustainable Infrastructure Facility (MunSIFF) Turkey Sustainable Energy Finance Facility II (TurSEFF II)		
<b>4. Type of CTF Investment</b>	<input type="checkbox"/> Public	<input checked="" type="checkbox"/> Private (Financial Intermediated)	
<b>5. Terms and Amount Requested in million USD equivalent</b>	Loan Harder term: USD 60 million minimum <sup>1</sup> Softer term: - Grant: USD10million maximum <sup>2</sup> <b>Total: USD70 million of which USD 39 million for immediate allocation<sup>3</sup></b>		
<b>6. Implementing MDB</b>	EBRD		
<b>7. National Implementing Agency</b>	n/a		
<b>8. Contact Information of MDB Focal Point and Project/Program Task Team Leader (TTL)</b>	Headquarters Focal Point:  Andreas Biermann  <a href="mailto:biermana@ebrd.com">biermana@ebrd.com</a>	Operation Leader:  EBRD project enquiries:  Tel: +44 20 7338 7168;  Fax: +44 20 7338 7380  <a href="mailto:projectenquiries@ebrd.com">projectenquiries@ebrd.com</a>	

<sup>1</sup> Up to EUR 10 million to be committed in EURO. It is likely that more than USD60 million will be requested for concessional loan co-finance, and less than USD 10 million for grant for technical assistance.

<sup>2</sup> Including USD 2 million for TurSEFF II

<sup>3</sup> Under the prioritisation exercise of the MDB Committee, USD39 million were allocated to EBRD for this facility, while under Phase II of the Investment Plan for Turkey, the CTF Trust Fund Committee endorsed up to USD 70 million. The absorption capacity of EBRD in the next 12 months is USD70 million. In order to reduce paperwork and streamline approval processes, EBRD is requesting CTF Trust Fund Committee endorsement for the whole amount in the CTF Investment Plan for Turkey Phase II, split into an immediate allocation of USD 39 million (split into USD 37million harder finance and USD 2 million grant) in line with the outcome of the prioritisation exercise, and a future allocation of USD 30,794,758 million (split into USD22,794,758 harder finance and USD 8 million grant) once i) funds become available and ii) the facility is being selected for funding under the prioritisation mechanism.

## 9. Brief Description of Project/Program (including objectives and expected outcomes)

- **Turkey Residential Energy Efficiency Financing Facility** (“TuREEFF”) is a pilot framework of USD 160 million, addressing the large sustainable energy opportunities in the private residential sector in Turkey.
- The Framework will consist of EBRD’s funding of USD 129 million, available to the participating banks, in the form of either i) rated senior bond notes issued under the PFIs’ existing diversified payment right (DPR) programmes; or ii) on a senior unsecured loan basis.
- EBRD’s funding will be complemented by USD 31 million of concessional funding and funding for technical assistance from the Clean Technology Fund, to help overcome the broadly recognised barriers to residential energy efficiency.
- EIB will co-finance the Framework with the EUR equivalent of USD 160 million.
- Individual transactions under TuREEFF will be approved in accordance with the standard EBRD Board approval delegation rules.
- The Framework will be supported by a comprehensive technical assistance programme, as further described in the section on Associated TA (p.6). Sub-projects will cover residential energy efficiency-related sectors, from building envelope insulation to high-efficiency household equipment, and will be selected according to clear eligibility criteria.
  
- **Turkey Municipal Sustainable Infrastructure Finance Facility** (“MunSIFF”) is a pilot framework of up to EUR 50 million (USD equivalent USD 65 million)<sup>4</sup>, addressing the large sustainable energy opportunities in the municipal sector in Turkey.
- The Framework will consist of EBRD’s funding of EUR 40 million, available to the participating banks, in the form of either i) rated senior bond notes issued under the PFIs’ existing diversified payment right (DPR) programmes; or ii) on a senior unsecured loan basis.
- EBRD’s funding will be complemented by EUR 15 million of concessional funding and funding for technical assistance from the Clean Technology Fund and the EU IPA Programme, to help overcome the barriers to developing projects in municipalities.
- Individual transactions under MunSIFF will be approved in accordance with the standard EBRD Board approval delegation rules.
- The Framework will be supported by a comprehensive technical assistance programme, as further described in the section on Associated Technical Assistance (p.7). Sub-projects will cover municipal sustainable energy projects including but not restricted to ESCOs, municipal building refurbishment, municipal services such as waste disposal, transport, district heating, or lighting, and will be selected according to clear eligibility criteria.
  
- **Turkey Sustainable Energy Finance Facility II** (“TurSEFF II”) is a continuation of the CTF co-financed TurSEFF, which was available from 2010 to 2012, and has considerably over performed in transforming the market for energy efficiency lending to SMEs in Turkey.
- The request includes USD 2 million for technical assistance to support the expansion of the USD 200 million TurSEFF II framework by at least USD 65 million of co-finance from EIB and JBIC<sup>5</sup>. Further technical assistance will be provided by the EU.

<sup>4</sup> USD equivalent based on an exchange rate of EUR 1/USD 1.3.

<sup>5</sup> TurSEFF I had an EBRD/CTF/JBIC investment volume of USD285 million, by comparison

## 10. Consistency with CTF Investment Criteria<sup>6</sup>

(1) Potential GHG Emissions Savings	Significant, 0.3-0.54mtCO <sub>2</sub> /yr
(2) Cost-effectiveness	High, 0.1tCO <sub>2</sub> /USD CTF invested
(3) Demonstration Potential at Scale	High, there is a very considerable municipal and residential demand for energy efficiency and sustainable infrastructure
(4) Development Impact	High, see page 8 for details
(5) Implementation Potential	High, based on existing relationships with banks
(6) Additional Costs and Risk Premium	Medium, based on need to provide appropriate incentives for local banks to develop lending in these markets
(7) Financial Sustainability	High/Medium (see page 7)
(8) Effective Utilization of Concessional Finance	High, providing market transformation at reasonable cost
(9) Mitigation of Market Distortions	High, by offering the product to a wide range of local banks (see page 14)
(10) Risks	Low, Turkey is a developed market and the EBRD has considerable experience with this kind of product (see page 14)

## 11. Stakeholder Engagement

Stakeholder engagement will take place in line with EBRD policy. For transactions of this kind, no specific need for stakeholder engagement beyond EBRD requirements is foreseen.

EBRD has engaged in depth with the Government of Turkey regarding the development of the Phase II investment plan prior to the November CTF Trust Fund Committee meeting. It is expected that in particular for the municipal facility considerable stakeholder engagement will take place.

## 12. Gender Considerations

An assessment of gender impact of the facilities will be undertaken during due diligence by the relevant team in the EBRD prior to their Final Review by the EBRD investment committee. Any actions suggested as a result of this assessment will be integrated into the final versions of the facilities.

## 13. Indicators and Targets (consistent with results framework)

Core Indicators	Targets <sup>7</sup>
(a) CO <sub>2</sub> savings	0.30 Mt CO <sub>2</sub> e/yr (0.54 Mt CO <sub>2</sub> e/yr) by the end of the investment period
(b) Investment volume (co-finance)	USD 475 million (USD 795 million)
(c) Number of loans	70,000 (120,000) residential loans issued 6 municipal loans issued

<sup>6</sup> See page 6 onwards for further details

<sup>7</sup> Targets are calculated for the initial allocation of USD 39 million only. Numbers in brackets are pro-rata adjusted upwards for USD 70 million. Excludes TurSEFF II.

(d) Energy Savings	57,670 toe/yr (104,000 toe/yr) of primary energy equivalent saved	
Development Indicator(s) <sup>8</sup> : <ul style="list-style-type: none"> <li>• Reduction in the use of solid fuels</li> <li>• Modernisation of apartments</li> </ul>	<ul style="list-style-type: none"> <li>• 27,400 (50,000) tons of solid fuels (coal) avoided per year</li> <li>• 70,000 (120,000) apartments brought to modern standards</li> </ul>	
<b>14. Co-financing<sup>9</sup></b>		
<b>TuREEFF</b>	Amount (in million USD) <sup>10</sup>	Type of contribution
• Government	n/a	n/a
• MDB	155 (280)	Investment (EBRD)
• Private Sector	40 (70)	Investment (banks and borrowers)
• Bilateral	190 (350)	Investment (EIB)
• Others	10 (15)	EU Technical Assistance Cash Funding
<b>MunSIFF</b>	Amount (in million USD) <sup>11</sup>	Type of contribution
• Government	n/a	n/a
• MDB	52	Investment (EBRD)
• Municipal Service Providers	20	Investment (banks and borrowers)
• Others	8	EU Technical Assistance Cash Funding
<b>Total</b>	<b>475 (795)</b>	
<b>15. Expected Date of MDB Approval</b>		
September 2013		

<sup>8</sup> See also page 8.

<sup>9</sup> This excludes any co-financing raised by TurSEFF II, which will be counted under the original CTF TurSEFF RMF.

<sup>10</sup> For USD 39 million CTF share, USD 70 million value in brackets

<sup>11</sup> For USD 39 million share, USD 70 million value in brackets