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Report No: ICR00004865

# IMPLEMENTATION COMPLETION AND RESULTS REPORT

Loan Number 8409-TR

ON A

LOAN

IN THE AMOUNT OF US$250 MILLION

TO THE

Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB)

FOR THE

Innovative Access to Finance
September 25, 2019

Finance, Competitiveness And Innovation Global Practice
Europe And Central Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective {Sep 13, 2019})

| | | |
|---|---|---|
| Currency Unit | = | Turkish Lira (TL) |
| 5.68 TL | = | US$1 |
| US$1.37 | = | SDR 1 |

FISCAL YEAR
July 1 - June 30

| | |
|---|---|
| Regional Vice President: | Cyril E Muller |
| Country Director: | Auguste Tano Kouame |
| Regional Director: | Lalita M. Moorty |
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## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| BRSA | Banking Regulation and Supervision Agency |
| CAR | Capital Adequacy Ratio |
| CBRT | Central Bank of the Republic of Turkey |
| CMB | Capital Markets Board |
| CPS | Country Partnership Strategy |
| DPL | Development Policy Loan |
| EFIL | Export Finance Intermediation Loan |
| EOEs | Export Oriented Enterprises |
| FI | Financial Intermediary |
| FM | Financial Management |
| GDP | Gross Domestic Product |
| GIFDC | Global Islamic Finance Development Center |
| IBRD | International Bank for Reconstruction and Development |
| ICB | International Competitive Bidding |
| IDA | International Development Agency |
| IFRs | Interim Financial Reports |
| IFRS | International Financial Reporting Standards |
| IUFRs | Interim Un-audited Financial Reports |
| MoEU | Ministry of Environment and Urbanization |
| MoIT | Ministry of Industry and Trade |
| NDP | National Development Plan |
| NPL | Non-Performing Loan |
| OM | Operational Manual |
| ORAF | Operational Risk Assessment Framework |
| PAD | Project Appraisal Document |
| PDO | Project Development Objective |
| PFIs | Participating Financial Institutions |
| PIU | Project Implementation Unit |
| QCBS | Quality and Cost Based Selection |
| ROA | Return On Assets |
| ROE | Return On Equity |
| SFAs | Subsidiary Financing Agreements |
| SMEs | Small and Medium Enterprises |
| SOEs | Statement of Expenditures |
| | |

TABLE OF CONTENTS

DATA SHEET ..... 1
I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES ..... 5
A. CONTEXT AT APPRAISAL ..... 5
B. SIGNIFICANT CHANGES DURING IMPLEMENTATION (IF APPLICABLE) ..... 9
II. OUTCOME ..... 10
A. RELEVANCE OF PDOs ..... 10
B. ACHIEVEMENT OF PDOs (EFFICACY) ..... 11
C. EFFICIENCY ..... 14
D. JUSTIFICATION OF OVERALL OUTCOME RATING ..... 15
E. OTHER OUTCOMES AND IMPACTS (IF ANY) ..... 16
III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME ..... 17
A. KEY FACTORS DURING PREPARATION ..... 17
B. KEY FACTORS DURING IMPLEMENTATION ..... 17
IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME ..... 18
A. QUALITY OF MONITORING AND EVALUATION (M&E) ..... 18
B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE ..... 20
C. BANK PERFORMANCE ..... 21
D. RISK TO DEVELOPMENT OUTCOME ..... 22
V. LESSONS AND RECOMMENDATIONS ..... 22
ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS ..... 24
ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION ..... 34
ANNEX 3. PROJECT COST BY COMPONENT ..... 36
ANNEX 5. BORROWER'S ICR ..... 39
ANNEX 6. ANNEX 6. SUPPORTING DOCUMENTS (IF ANY) ..... 46

## DATA SHEET

## BASIC INFORMATION

### Product Information

| Project ID | Project Name |
|---|---|
| P147183 | Innovative Access to Finance |
| **Country** | **Financing Instrument** |
| Turkey | Investment Project Financing |
| **Original EA Category** | **Revised EA Category** |
| Financial Intermediary Assessment (F) | |

### Organizations

| Borrower | Implementing Agency |
|---|---|
| Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) | Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) |

### Project Development Objective (PDO)

Original PDO

The Project Development Objective (PDO) is to improve access to longer term Islamic finance and to factoring for small and medium enterprises and export oriented enterprises.

## FINANCING

| | Original Amount (US$) | Revised Amount (US$) | Actual Disbursed (US$) |
|---|---|---|---|
| **World Bank Financing** | | | |
| IBRD-84090 | 250,000,000 | 250,000,000 | 238,194,372 |
| **Total** | **250,000,000** | **250,000,000** | **238,194,372** |
| **Non-World Bank Financing** | | | |
| Borrower/Recipient | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** |
| **Total Project Cost** | **250,000,000** | **250,000,000** | **238,194,372** |

## KEY DATES

| Approval | Effectiveness | MTR Review | Original Closing | Actual Closing |
|---|---|---|---|---|
| 22-Jul-2014 | 04-Dec-2014 | 15-Dec-2016 | 31-Dec-2018 | 31-Dec-2018 |

## RESTRUCTURING AND/OR ADDITIONAL FINANCING

| Date(s) | Amount Disbursed (US$M) | Key Revisions |
|---|---|---|

## KEY RATINGS

| Outcome | Bank Performance | M&E Quality |
|---|---|---|
| Moderately Satisfactory | Moderately Satisfactory | Modest |

## RATINGS OF PROJECT PERFORMANCE IN ISRs

| No. | Date ISR Archived | DO Rating | IP Rating | Actual Disbursements (US$M) |
|---|---|---|---|---|
| 01 | 21-Nov-2014 | Satisfactory | Satisfactory | 0 |
| 02 | 12-Jun-2015 | Satisfactory | Satisfactory | 30.00 |
| 03 | 04-Jan-2016 | Satisfactory | Satisfactory | 38.44 |

| | | | | |
|---|---|---|---|---|
| 04 | 02-Mar-2016 | Satisfactory | Moderately Satisfactory | 38.44 |
| 05 | 26-Dec-2016 | Satisfactory | Satisfactory | 161.97 |
| 06 | 30-Jun-2017 | Satisfactory | Satisfactory | 191.97 |
| 07 | 07-Mar-2018 | Satisfactory | Satisfactory | 219.73 |
| 08 | 13-Nov-2018 | Satisfactory | Satisfactory | 237.58 |

## SECTORS AND THEMES

### Sectors

| Major Sector/Sector | (%) |
|---|---|
| **Financial Sector** | **100** |
| Banking Institutions | 75 |
| Other Non-bank Financial Institutions | 25 |

### Themes

| Major Theme/ Theme (Level 2)/ Theme (Level 3) | (%) |
|---|---|
| **Private Sector Development** | **150** |
| Jobs | 100 |
| Enterprise Development | 50 |
| MSME Development | 50 |
| **Finance** | **50** |
| Financial Infrastructure and Access | 50 |
| MSME Finance | 50 |

## ADM STAFF

| Role | At Approval | At ICR |
|---|---|---|
| Regional Vice President: | Laura Tuck | Cyril E Muller |
| Country Director: | Martin Raiser | Auguste Tano Kouame |
| Director: | Gerardo M. Corrochano | Lalita M. Moorty |
| Practice Manager: | Aurora Ferrari | Mario Guadamillas |

| | | |
|---|---|---|
| Task Team Leader(s): | Ilias Skamnelos | Alper Ahmet Oguz, Alexander Pankov |
| ICR Contributing Author: | | Ruvejda Aliefendic |

# I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

## A. CONTEXT AT APPRAISAL

### Context

1. **Country context:** Turkey achieved steady growth and entered the 2010s as an upper-middle-income country. However, as the growth was largely financed by external inflows and most of which were short term, the country was hit hard by the 2008-09 global economic crises and encountered significant challenges in managing macroeconomic swings. In the wake of US Federal Reserve's policy adjustment and the domestic political upheaval in late 2013, the Turkish Lira depreciated sharply in early 2014. While the Central Bank actions eventually stabilized the currency, market interest rates fell across all maturities by mid-2014 and lower economic growth was projected with the likelihood of renewed foreign exchange pressures. On the positive side, the Turkish government maintained solid fiscal balances and the banking sector was well-capitalized. At the time of project appraisal, it was projected that in the medium-term Turkey could return to stronger growth if Turkish firms improve their global competitiveness**.**

2. **Most of Turkish firms were small and medium sized enterprises (SMEs):** they accounted for 99.9 percent of all enterprises, 76 percent of employment, 54 percent of investments, and 63 percent of exports; and yet SMEs received only 25 percent of total loans. SMEs in Turkey faced higher collateral requirements than large firms. For instance, on average the collateral coverage for loans to medium-sized companies can be as high as 207 percent (2014 enterprise survey). SMEs' access to finance was further constrained as many did not meet banks' information requirements (i.e. on transparent financial statements, bankable business plans, corporate governance standards) and there was a lack of alternative financing sources.

3. **Sector context:** In a decade from 2003 to 2013 Turkey's financial markets expanded by almost six times and amounted to 178 percent of the GDP (US$950.6 billion, 2013). However, this size was smaller than the emerging market average of 190 percent. Banks accounted for 86 percent of the financial sector, of which the four Islamic banks (participation banks) accounted for only 5.5 percent of the financial sector. Islamic banking faired the 2001 financial crisis and the 2008 global financial crisis relatively better than the rest of the banking sector. The participation banks were well capitalized and profitable (CAR of 14 percent, ROA 1.3 percent and ROE 13.8 percent) with a relatively low Non-Performing Loan (NPL) level (3.4 percent, 2013). Almost half of the participation banks' customers were SMEs as assets backed transactions side-stepped the collateral requirements. A main constraint to longer-term financing of SMEs' investment needs was the participation banks' short-term funding base (88 percent of the deposits had a maturity of 3 years or less).

4. Factoring was the second largest segment of the non-bank financial sector, accounting for 1.1 percent of Turkey's financial system. There were 76 factoring companies and as a whole they were well capitalized and profitable (shareholders' equity to total assets 18.4 percent, ROA 2.6 percent and ROE 13.1 percent, 2013). SME customers accounted for close to 90 percent of factoring companies' commercial loan portfolio as the factor focuses on the creditworthiness of the larger buyer rather than the SME seller, hence, side-stepping many SMEs' problem of lack of credit history. However, the factoring volume was dominated by domestic business (86 percent) although small enterprises accounted for 24 percent of Turkey's total exports (US$150 billion, 2012) and medium-sized

enterprises contributed to 18 percent. Only a small number of the factoring companies were members of the global networks of factoring companies (16 as members of Factors Chain International and 4 as members of International Factors Group). The Turkish government aimed to triple the export volumes by 2030 but export factoring only accounted for about five percent of the total factoring volume in Turkey. It appears that the factoring industry suffered from the legacy of the pre-regulatory reforms era (before 2006) and did not have a good standing in the international market. At the time of project appraisal, the Turkish Factoring Association, the Turkish Exporters Assembly and the state-owned Eximbank had initiated a drive to expand Turkish factor companies' global footprint by receiving credit protection in up to 238 countries**.**

**5.** Both the participation banks and the factoring companies were regulated by the Banking Regulation and Supervision Agency. In 2012 the Turkish parliament enacted the Law on Financial Leasing, Factoring and Financing Company[1]. The Law introduced international standards and definitions, strengthened capital requirements, related party lending rules, enhanced accounting standards and transparency, and centralized factoring billing system. In June 2013[2], a new Islamic bond (Sukuk) regulation was passed to stimulate the growth of Turkey's Islamic capital market, and the government aimed to raise the share of the Islamic finance sector to 15 percent by 2023. A new credit registry under the Bankers Association was expected to go into operation by July 2013. The non-bank financial intermediaries would be members of this new credit bureau. All these reforms combined were expected to bolster Islamic banking and factoring.

**6.** **Rationale for Bank Support:** The Bank had been supporting SMEs and exporters in Turkey with 12 line of credit operations including the SME III project (ongoing at the time of project appraisal). IEG's reviews of Implementation Completion Reports rated the outcomes of the completed operations above satisfactory. A 2011 study commissioned by the Bank concluded that the projects were successful in targeting the medium- to long-term working capital and investment finance needs of exporters and SMEs. In addition to providing longer-term funding, the Bank supported the 2012 law on financial leasing, factoring and financing companies. The Bank, in partnership with the government of Turkey, established the Global Islamic Finance Development Center in 2013 as a knowledge hub for developing Islamic finance globally, conducting research and training, and providing technical assistance and advisory services to World Bank Group client countries interested in developing Islamic financial institutions and markets.

### Theory of Change (Results Chain)

7. **Basic assumption:** The project design was based on the following underlying assumption: Providing of longer-term funding to a number of participating participation banks and factoring companies at maturities these financial intermediaries can't get on their own would encourage the PFIs to increase longer term financing to SMEs and expand factoring against export receivables.

8. Islamic banking use profit-and-loss sharing arrangements and emphasize tangible assets which can improve access to finance for SMEs and households. In addition, during the 2008 global financial crisis, Islamic financial institutions in Turkey fared relatively well due to their fundamental operating principles of risk sharing, and the avoidance of leverage and speculative financial products. Accounts receivable factoring helps firms to smooth out cash flows. Export factoring helps firms, in particular SME exporters, to overcome difficulties in languages

[1] Law Nr. 6361, published in the Official Gazette dated December 13, 2012 Nr. 28496
[2] Lease Certificates Communiqué No. III-6.1, Official Gazette dated 7 June 2013

and a lack of knowledge of foreign counterparties.

9. **The results chain:** At the time of project appraisal (2014) the Bank did not require the Project Appraisal Document (PAD) to separately present the theory of change. Nevertheless, the relevant operational guidance required a clear results path be developed and reflected in a project's appraisal document. The following depiction of the project's theory of change was deducted from the information in the PAD and the Loan Agreement**.**

**Turkey IA2F**

**Original Theory of Change**

**The PDO Statement:** The Project Development Objective (PDO) is to improve access to longer term Islamic finance and to factoring for small and medium enterprises and export oriented enterprises

| Inputs | Outputs | Intermediate Results | Outcomes |
|---|---|---|---|
| US$ million IBRD loan to TSKB (the apex bank) finance sub-loans by eligible participation banks and factoring companies (the PFIs) to SMEs and EOEs | Minimum six eligible PFIs were engaged under agreed-upon subsidiary loan agreement to extend sub-loans to eligible SME/EOE beneficiaries | PFIs, end-beneficiaries and their sub-projects maintained eligibility under the project | Average maturity of participation banks' sub-financing portfolios longer than that of their financing portfolios not financed by the project |
| | | | |
| Reflow of the IBRD funding (US$250million) by TSKB at the same terms and conditions as the IBRD loan | Sub-loans extended under agreed-upon sub-loan agreement to a minimum 300 SMEs and 30EOEs | PFIs sub-financing portfolios maintained good quality | Average maturity of factoring companies' EOE portfolios under the project longer than that of their EOE portfolios not financed by the project |
| | | | |
| | At least 15% of sub-loans in priority regions | | At least another round of injection of longer-term funding into Islamic finance market and factoring industry |

## Project Development Objectives (PDOs)

10. The Project Development Objective (PDO) is to **improve access to longer term Islamic finance and to factoring for small and medium enterprises and export-oriented enterprises**

## Key Expected Outcomes and Outcome Indicators

11. There were four PDO-level indicators:
    a. Ratio of the average maturity of Islamic sub-financing under the project, over the average maturity of the Islamic finance PFIs' portfolio not financed under the project (>1).

b. Ratio of export factoring sub-financing in the factoring portfolio financed under the project, over the factoring company PFIs' export factoring finance in the factoring portfolio not financed under the project. (>1)
c. Number of SME beneficiaries under the project (300)
d. Number of EOE beneficiaries financed under the project (30)

### Components

12. **This was a single-component, line of credit operation that was financed by the IBRD loan of US$250 million.** The end-beneficiaries were small and medium-sized enterprises (SMEs) and export-oriented enterprises (EOEs). The apex bank was Türkiye Sinai Kalkinma Bankasi A.S. (TSKB) which was responsible to on-lend the loan proceeds to two groups of eligible participating financial intermediaries (PFIs): (a) participation banks (Islamic finance, US$160 million) and (b) factoring companies (US$90 million)**.**

13. The project specified the terms and conditions of subsidiary loans from the apex bank to the selected PFIs with subsidiary loans to participation banks having longer maturity and larger size than those to factoring companies (minimum 4-year maturity and maximum US$50 million for each participation PFI vs. minimum 2-year maturity and maximum US$35 million for each factoring PFI). All subsidiary loans were required to charge risk-based interest rate. At least 15 percent of the sub-loans to SMEs were to be made for the Priority Regions[3]. The terms and conditions of sub-loans from PFIs to eligible SMEs were also specified: minimum 2-year maturity (participation bank sub-loans), maximum US$3.5 million for each sub-loan and maximum US$6 million for each sub-borrower. All sub-loans were required to charge risk-based interest rate/markups. These terms and conditions were incorporated in the project's Loan Agreement as the legal covenants.

14. The project had a legal covenant on reflows: within 12 months after the total principal repayments by PFIs reached US$30 million the apex bank should start at least one more financing circle to eligible PFIs on the same terms and conditions as under the first financing circle.

15. The PFI eligibility criteria included legal status, size of total assets/total lease receivables, regulatory compliance and profitability (leasing companies). Sub-borrower eligibility was about private ownership, satisfactory debt ratios, availability of cash flow statements and compliance with government laws and regulations. Sub-project criteria included technical feasibility and commercial viability, compliance with environmental laws and regulations and a negative list.

16. The legal covenants also required the apex bank to assume the credit risk of the PFIs and the PFIs to assume the credit risk of the SME beneficiaries.

17. The government designated TSKB (or in English the Industrial Development Bank of Turkey) as the apex bank and the borrower of the IBRD loan with Treasury guarantee. TSKB is a private development and investment bank (non-deposit taking). The TSKB was established in 1950 with the support of the World Bank. The largest owner was İş Bank which held 50.9 percent of TSKB shares followed by VakifBank (8.4 percent). The rest of the TSKB

[3] As defined in the Council of Ministers Decree Number 2013/5502, published in the Official Gazette numbered 28802 and dated October 25, 2013.

shares were traded at Borsa Istanbul (equity market). The main business lines were corporate finance and project investment with a small percentage of the TSKB operation focusing on advisory services, ranging from strategic financial consultancy, real estate appraisals to sustainability and environmental consulting. About nine percent of the lending was IFIs' line of credit operations, 39 percent were direct corporate finance and 52 percent were project investment. These loans were largely financed by long term borrowing from the IFIs (94 percent of total funding). Most of these borrowing (91 percent) were guaranteed by the Turkish Treasury. The largest creditors of TSKB were IBRD (45 percent of the Treasury guaranteed funding) and EIB (29 percent). At the time of project appraisal, TSKB was the 21st largest bank in terms of assets. Up until 2014, TSKB acted as the apex bank for five of IBRD's 12 line of credit operations.

**18.** During appraisal, the Bank conducted a due diligence review of TSKB in accordance with the relevant World Bank operational policy. The review found TSKB was liquid (liquid assets to short-term liabilities of 178 percent) and profitable (ROE of 17.9 percent, ROA of 2.8 percent and NIM of 4.3 percent). The bank was also considered as having met the other due diligence criteria such as capital adequacy (CAR of 18.2 percent), assets quality (NPL of 0.4 percent with 100 percent provisioning coverage), corporate governance and regulatory compliance.

## B. SIGNIFICANT CHANGES DURING IMPLEMENTATION (IF APPLICABLE)

### Revised PDOs and Outcome Targets

none

### Revised PDO Indicators

none

### Revised Components

none

### Other Changes

none

### Rationale for Changes and Their Implication on the Original Theory of Change

none

## II. OUTCOME

### A. RELEVANCE OF PDOs

#### Assessment of Relevance of PDOs and Rating

19. **Rating:** *High*

20. **Current Bank strategy**: The project relevance is assessed against the current World Bank Partnership Framework (CPF), which is the July 2017 strategy for the period of FY18-FY21[4].The overall objective of the new CPF is to help Turkey to achieve more sustainable and inclusive growth. Findings of the Completion and Learning Review (CLR) recommended that the WBG program "continue to focus on the sectors where relationships already exist, programming has been successful and expressed client demand remain high", referring to the IBRD's success in financial sector among others. These lessons are built into the new CPF and reflected in the three CPF focus areas of engagement, linked to the priorities identified in SCD are i) growth, ii) inclusion and iii) sustainability. Under this strategy the Bank focuses on three areas and the project falls under the first group of Growth, under interventions that aim to improve access to finance for underserved markets, together with other two objectives of increased fiscal space and enhanced competitiveness and employment in selected industries. The CPF identifies the underserved segment of the economy as "People, micro, small and medium enterprises (MSMEs) and exporters reached with financial services". The CPF, stresses that Bank will continue to work with state banks, development banks and other financial institutions to support their countercyclical and market-gap-filling functions, especially through providing long-term financial sources. This included diversification of financial sector products and instruments, including leasing, factoring, Islamic finance and other. *The project targeted SME and exporter beneficiaries, supported the development of factoring and Islamic finance, and set provision of longer-term funding to the target beneficiary groups as the development objective. The PDO therefore aligned well with the objectives of the current CPF*.

21. **Targeted market**: The relevance is also assessed against the present conditions of the Islamic banking market and the factoring industry which the project supported.

22. *Islamic banking* – Islamic finance in the form of participation banking began to operate in Turkey in the early 1980s and has been one of the three main banking categories (together with deposit-taking banks and development and investment banks). Growth accelerated in the last 15 years and by April 2019 the share of Islamic banking increased to 5.6 percent of total banking sector assets. The authorities' development target is to increase Islamic banking's market share to 15 percent by 2025[5]. At present, there are six participation banks with the three private sector owned banks taking the majority share of Islamic banking's total assets. The participation banks are regulated by the Banking Regulation and Supervision Agency (BRSA). As of April 2019, participating banks capital adequacy ratio (CAR) was 17.18 percent against the prudential norm of 12 percent. The NPLs accounted for 4.5 percent of participation banks' total loans, and the NPL coverage ratio was 66.5 percent, as of

[4] Turkey - Country partnership framework for the period FY18 - FY21 (http://documents.worldbank.org/curated/en/585411504231252220/Turkey-Country-partnership-framework-for-the-period-FY18-FY21)
[5] Turkish Participation Banking Strategy Document

April 2019[6].

23. *Factoring industry* – factoring was first introduced into Turkey in 1988. As of April 2019, the industry accounted for 0.7 percent of the Turkish financial system (assets) while the factoring turnover stood at about 4.0 percent of GDP (2018). There are 58 factoring companies accounting for 23.7 percent of the non-bank financial institutions. The market is concentrated in the 13 bank subsidiaries (59 percent of the industry's total assets and 62 percent of total receivables). Out of these firms, the top five companies account for 39 percent of the market and the top ten firms amount to 60 percent of the market. The majority of factoring volume is domestic business (83 percent of the total). In 2016, factoring companies began to finance export receivables under an agreement with the Turkish ExImBank and the Export Credit Bank of Turkey. The 2012 Financial Leasing, Factoring and Financing Company Law has strengthened the oversight of the industry in the areas of transparency, corporate governance and capital requirements. The industry is regulated by BRSA since 2006. The sector's ROE was 20.8 percent and the ROA was 3.3 percent while the NPL level at 6.26 percent (2018).

**24.** A main constraint to the development of Islamic banking is the lack of longer-term financing. Most (97 percent) of the deposits mobilized by the participation banks have a maturity of three months or less while the maturity of the majority (71 percent) of their loans was longer than three months. Although it is a basic function of banks to transform maturities between assets and liabilities, in Turkey the very short-term nature of the liabilities makes the participation banks even more cautious than the conventional banks in extending longer-term loans. The challenges faced by the factoring industry are two folds. First, the industry is still coping with the aftermath of a recent past[7] marked by weak oversight and poor infrastructure support. The industry as a whole is considered as having high risks. The other challenge is how to grow the exporter factoring business in a highly volatile forex rate environment. *From the perspective of market development, the project is relevant as the two target markets are still suffering from the funding problems discussed above.*

## B. ACHIEVEMENT OF PDOs (EFFICACY)

### Assessment of Achievement of Each Objective/Outcome

25. **Effects on end-beneficiaries**: The Project reached to 330 SME/EOE beneficiaries. Based on the borrower's ICR (Annex 5), the project contributed to increased sales, diversified business, expanded production capacity, upgraded technologies, and/or improved financial status. SMEs visited during the ICR mission echoed the same. According to TSKB, under the project 488 new jobs were added, and the aggregate net sales of the 330 beneficiaries was TL13.6 billion while the aggregate exports of these companies were TL5.9 billion. Box 1. provides a glimpse of an end-beneficiary. *While specific data on the project's impact on these beneficiaries' business is not available, it is safe to say that the firms benefited from the project's longer-term funding*.

[6] TSKB and BRSA
[7] In 2012 oversight of the industry was improved, focusing on transparency and corporate governance, and increased capital requirements.

**Box 1. Modateks Tekstil**

Modateks Tekstil is an Istanbul-based textile company established in 2011 by a businessman with a family background in the textile industry. At that time the company was equipped with only six weaving machines. Under the project the company utilized two working capital sub-loans in a total amount of EUR1 million to purchase yarns to make all sorts of raw fabrics. With regular working capital secured the company expanded rapidly to 110 weaving machines with a total annual production capacity of 12-15 million meters of cloths. Below is a before-after project comparison.

| | Before Project | After Project |
|---|---|---|
| Annual turnover | TL24.9 million (2015) | TL54.9 million (2018) |
| No. of employees | 84 (2016) | 145 (Aug19) |

*Source: TSKB, September 2019*

26. **Benefits to PFIs**: The project engaged four participation banks as PFIs, including the three market leaders (Kuveyt Türk, Türkiye Finans, and AlBaraka Türk) and Ziraat Katılım (a relatively new and state-owned participation bank). These PFIs passed on the maturity (and the grace period) of the subsidiary loans to their borrowers which were much better than products funded by their own funding sources. Before the project these banks either focused on the corporate sector or had difficulty extending longer-term finance. Under the project the average maturity of Islamic sub-financing was over three times of that of the portfolios not financed by the project. *The project enabled the participation bank PFIs to meet their clients' needs and/or expand the customer base*.

27. The project also engaged three factoring companies (İş Faktoring, Finans Faktoring and Yapi Kredi Faktoring) as PFIs. These companies account for 21.6 percent of the factoring market (assets) in 2018; and 14.7 percent in 2012. While all the factoring PFIs were bank subsidiaries they used to get very short-term funding (e.g. overnight draft) from their parent companies as the transactions were usually on a back-to-back basis. Another deficiency of this industry in Turkey was the lack of factoring against export receivables. *The project provided these companies with steady (and longer-term) funding, enabling them to better manage their cash flows and expand customer base in the export-oriented enterprise sector.*

28. According to the borrower's ICR, the PFIs improved capabilities in utilizing international-standard environmental evaluation methodologies and procurement procedures. Because of the eligibility criteria and the related documentation requirements, the PFIs also gained exposures to international practices in financial evaluation and credit risk assessment of borrowers and investment projects. For the factoring company PFIs, having been able to meet the project's eligibility criteria sent the market a positive signal about the factoring company PFIs.

29. **Value added for apex bank**: Before the project TSKB had very limited exposures to Islamic banking. Under the project, TSKB learned about the features of Islamic banking's accounting, contract forms and approval processes. Staff were trained on this important segment of the financial sector. It was also the first time for TSKB to work with factoring companies and the experience helped the apex bank to understand better

factoring transactions. *The exposures help TSKB to gain knowledge in these important financing segments which should help the bank to reach out to more diversified institutions and/or real sector borrowers*.

30. **Achievement of formally adopted PDO indicators**: The results framework and the outcome/intermediate indicators suffered from design defects which will be discussed in the section on the M&E. Evaluated against these indicators the project achieved three out of four indicators. Indicators that were achieved were:

- Ratio of the average maturity of Islamic sub-financing under the project, over the average maturity of the Islamic finance (3.3 vs. original target of >1)

- Ratio of export factoring sub-financing in the fact. portfolio financed under the project, over the fact. comp. PFIs' export factoring finance in the factoring portfolio not financed under the project PFIs' portfolio not financed under the project. (7.1 vs. original target of >1)

- Number of EOE beneficiaries financed by PFIs under the project (195 vs. original target of 30)

**31.** One PDO indicator was not achieved, which was the "number of SME beneficiaries financed by PFIs under the project". The project financed a total of 330 enterprises. The target value was 300 SMEs but by project closure the project reported a result of 135 SME beneficiaries financed.

**32.** The target for EOEs was 30, while the end result of the project was 195 companies. Out of these EOEs, 68 met project's SME selection criteria (see the box below).

| | |
|---|---|
| Number of Applications | 330 |
| Number of SMEs | 135 |
| Number of EOEs | 195 |
| Number of SMEs (if EOEs meeting the SME criteria are considered as SMEs) | 203 |
| Number of EOEs (if EOEs meeting the SME criteria are considered as SMEs) | 127 |

*Source: Borrower's ICR, data at YE 2018.*

### Justification of Overall Efficacy Rating

33. **Rating**: *Substantial*

34. In terms of providing longer-term funding, the project reached the majority of the participation banks in terms of assets (89.4 percent, 2018). While the project funding was limited in comparison to what the market needs, it gave the participation banks access to a longer-term/investment financing and enabled them to reach out to more SMEs and EOEs. The lack of longer-term funding is not a major constraint to factoring companies as they mainly finance businesses' accounts receivables to help smooth out the borrowers' cash flows. Nevertheless, the development of the factoring industry might have been hindered by a lack of steady funding sources and a poor reputation. The project's factoring company PFIs accounted for 21.6 percent of the factoring market (assets, 2018) which was a considerable market share reached. A main source of longer-term funding in Turkey is the international development partners and the project's apex bank, TSKB, is an important financial institution (FI) that channels the international funding to the Turkish borrowers in need. This project continued the IFIs' practice and provided TSKB opportunities to learn about Islamic banking and factoring.

35. Based on the feedback from the SME and EOE end-beneficiaries collected during the ICR team's meetings with the PFIs and from the onsite visits, the Project also enabled SME/EOE beneficiaries to increase sales, diversified business, expanded production capacity, upgraded technologies, and/or improved financial status. The borrower's own ICR also mentioned briefly the benefits to these SMEs/EOEs.

**36.** The above results are the main upward factors for the Substantial rating. However, there is a lack of systematic data on the business-level impact both during project implementation and at the ICR time, indicating this important aspect of project impact might have been overlooked and making it difficult to verify and validate the reported impact. This is the main downward factor of the rating. The unachieved outcome indicator was in fact an output indicator (the number of SME beneficiaries). A main reason for this failure was the worsened economic conditions in 2017 and 2018 that hit the SME sector harder (see Section III, Key Factors for details). In addition, it appears the original target was set without any baseline analysis; hence, it is difficult to determine whether the end result (which was more than 100 less than the target) materially affected the project efficacy. The ICR assessment sees this as more of a M&E design issue and the lack of attention to the issue during project implementation.

## C. EFFICIENCY

### Assessment of Efficiency and Rating

37. **Rating**: *Modest*

38. At appraisal, no quantitative economic and financial analyses were conducted and the main reason given was that the sub-projects had not been identified. In general, it is difficult to conduct ex ante cost-benefit or EIRR/FIRR analyses for the line of credit operations that target a relatively large number of MSMEs in dispersed sectors. Qualitatively, the project was expected to "have significant impact on employment and the bottom 40 percent of the population"[8]. It appears this expectation was based on the sector-wide statistics of SMEs' share in the economy (76 percent of employment and 63 percent of exports). The statement in the PAD was an overestimate of the project's impact. According to EU, there are 2.67 million SMEs in Turkey (2017) and this is to be compared

[8] Project Appraisal Report: http://documents.worldbank.org/

with the number of SME beneficiaries under the project (203). By the same token, the export-oriented enterprises supported under the project (127) amount to a tiny portion of the total number of EOEs (over 71,000, 2017.). Without the baseline analysis and with the lack of adequate data[9] on the before and after project operation, employment and financials at firm level it was difficult for the team to conduct quantitative assessment and detailed qualitative analysis.

39. At the output level, the loan was fully disbursed by the original project closing date. The US$250 million loan financed 330 sub-financing to SME beneficiaries and 47 factoring transactions for exporters (there were also 8 factoring transactions for non-export companies). The majority of sub-beneficiaries operated in the manufacturing sector with those in the textiles accounted for 32 percent. Under the project the World Bank funding was fully utilized without delay, and a relatively large group of SME and EOE beneficiaries was reached.

*40.* The project design included a reflow, at the same terms and conditions as the IBRD loan, of the PFIs' principal repayments within 12 months after PFIs' repayments of the subsidiary loan principals reached US$30 million. This was to enhance the sustainability of the project's main objective: injecting longer-term funding into the Islamic finance market and the factoring industry. As of end of May 2019, TSKB had extended two APEX credit line loans to two factoring companies who were PFIs under the project. The two loans totalled US$40 million which were funded by the PFI repayment fund (US$45.3 million at the time) established in accordance with the project's Legal Agreement.

**41.** At the intermediate results/outcome level, two externalities are worth-mentioning. In terms of supporting regional development, 29 percent of the total sub-loan volume went to SMEs/EOEs in the Priority Regions that has a high-concentration of the bottom 40 percent of the population. This is to be compared with the original target of 15 percent. In terms of supporting the target markets, the four-participation-bank PFIs basically represent the Islamic banking market and the three-factoring-company PFIs held a share of 21.6 percent the factoring market[10]. Given the important position of these PFIs in their respective market, it can be said that the project had a positive impact on extending the maturity of Islamic banking's liabilities and channeling steady funding into the factoring industry. These are the positive externalities the project produced.

## D. JUSTIFICATION OF OVERALL OUTCOME RATING

42. **Rating**: *Moderately Satisfactory*

43. The project's objective aligns well with the current World Bank Country Partnership Framework (FY 18-FY21) and remains valid in the context of continued lack of long-term financing in today's Islamic banking market and factoring industry. The project enabled more than 203 SMEs to better manage their working capital invest in capital goods in order to expand production or improve product quality, which resulted in increased sales or diversified business lines. The project also enabled 127 EOEs to invest in capital goods or improve cash flow management. More importantly the project injected longer-term funding into the Islamic banking market and exposed the participation banks to the international practices in project

[9] Though TSKB provided some data on the end-beneficiaries, it was not adequate in particular with regard to employment and financial performance before and after the project intervention
[10] Source: TSKB

financing. Under the project a large portion of Turkey's factoring industry gained experience in factoring against export receipts. The US$250 million IBRD loan was fully disbursed within the original project implementation period and 29 percent of the sub-loans supported SMEs in the under-served regions. These are the main upward factors of the rating. The main downward factor is the moderate project efficiency which is mainly due to design defects (e.g. lack of development impact perspective).

## E. OTHER OUTCOMES AND IMPACTS (IF ANY)

### Gender

44. While the project did not specifically target female led/owned SMEs/EOEs, out of the total 330 end beneficiaries, 110 SMEs/EOEs (33%) are female owned or have female shareholders.

### Institutional Strengthening

45. At the beginning of 2016, TSKB established an APEX unit within the DFI department with specific goal to evaluate applications and ensure quick implementation. The unit's responsibility was to receive applications, seek (where necessary) clarifications from the PFIs and act as a link with the DFIs. After the new structure was implemented the response time decreased to 1-2 days or even hours in some cases. Annex 5. The Borrower's ICR includes a comparison of the before/after organizational chart.

### Mobilizing Private Sector Financing

This project did not aim to mobilize private sector funding for the line of credit.

### Poverty Reduction and Shared Prosperity

The project was not designed to address the policy or institutional obstacles to poverty reduction. It did however, achieved disbursing 29 percent of the total sub-loan volume to the SMEs in priority regions.[11]. Considering priority regions represent a high proportion of the bottom 40 percent of the population, the project was broadly aligned to the Bank's objective of poverty reduction and shared prosperity.

### Other Unintended Outcomes and Impacts

None.

[11] As defined in the Council of Ministers Decree Number 2013/5502, published in the Official Gazette numbered 28802 and dated October 25, 2013

## III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

### A. KEY FACTORS DURING PREPARATION

46. Several factors affected the project design. The decade-long public-private sector joint efforts improved the regulatory framework of Islamic banking in Turkey. In 2011 the participation banks became members of the Central Bank of Turkey's liquidity facilities. As a result of the 2012 amendment of the Public Finance Law (Law No. 4749), the government began to issue sovereign Islamic securities (sukuk) to establish yield curve benchmarks for investors and the corporate Sukuk market grew bigger. These reforms improved the business environment for Islamic banking. Following the 2006 transfer of the regulatory authority from the Treasury to the central bank, the 2012 law on financial leasing, factoring and financing companies (Law No. 6361) has strengthened the legal framework for factoring. These were positive factors for the project to support the participation banks market and the factoring industry.

47. The project design took into consideration the lessons learnt from the Bank's previous line of credit operations, such as a simple and flexible design, quantified eligibility criteria for SME borrowers and continuous monitoring of PFIs eligibility. It is important to note that these design features contributed to the reported good quality of subsidiary loan and sub-loan portfolios under the project. This is recognized as another positive factor.

48. A 2011 assessment report commissioned by the World Bank finds positive results in reaching out to SME beneficiaries under the Bank's 11 line of credit operations. The ICRs of the already completed operations also gave satisfactory rating to these projects. However, no lessons were drawn on how to define and monitor a line of credit's overall development impact and the externalities, although the PAD specifically identified the need to monitor the overall project impact as a lesson from the Bank's line of credit operations in other parts of the world. The project's PDO statement and the results framework reflected this weakness[12].

### B. KEY FACTORS DURING IMPLEMENTATION

49. While TSKB was an experienced apex bank/participating financial intermediary, it was the first time for the bank to work with participation banks. At the beginning of project implementation, TSKB took time to visit and meet participation banks and based on their finding decided that the Islamic finance model under the project should be Wakalah Agreement (as Subsidiary Finance Agreement) and Murabahah and Ijarah (as sub-loan agreements). The decision to apply the most suitable Islamic financing model facilitated project implementation.

50. The apex bank carried out organizational changes to streamline the management of its development finance business. At the end of 2014 the Development Financial Institutions Department was established which took over part of staff from the Financial Institutions Department and experts with different multi-disciplinary backgrounds (e.g. financial analysis, engineering and budget planning) from other departments. At the beginning of 2016, the Apex Unit was established under the DFI Department to

[12] Please see M&E design

centralize the review of subsidiary loan applications that had been conducted by four different departments in the past. The change significantly reduced the application processing time from several weeks to one or two days. The reorganization was an important positive factor to the timely completion of project implementation. In addition to optimizing the organizational structure, TSKB also updated the APEX online web-portal to create a leaner, more user-friendly interface between the PFIs and TSKB.

51. The IBRD loan was denominated in two currencies: EUR and USD. After the Turkish Lira's significant depreciation in 2017, the market interest rate of USD shot up. As a result, the demand for USD denominated subsidiary loans/sub-loans dropped to a standstill and the demand for EUR denominated subsidiary loans went up. In this context the apex bank made an effort to provide EUR-denominated subsidiary loans and maintain the disbursement rate of IBRD loan's USD tranche through internal currency conversions. The apex bank's willingness to absorb the implications of back and forth currency conversions contributed to the 100 percent disbursement rate of the IBRD loan.

52. The main negative factor was the macroeconomic fluctuations (high current account deficit, high inflation, overheating economy) and the consequent heightened market volatility during the second part of the project implementation period. Domestic economic imbalances coupled with challenging external environment led to a dent in investor confidence in Turkish assets and a sharp slowdown in capital flows to Turkey in 2018. Although market volatility in Turkey subsided in August 2018, the economic situation remained fragile. The turbulences dampened SME capital investment and weakened the demand for USD denominated funding.

**53.** Several project design weaknesses, such as the deficiencies of the results framework and the dual-currency structure of the IBRD loan, might have been addressed if there were project restructuring. The dual currency option was made by the Borrower, based on their own risk assessment. The Bank team could have requested a more comprehensive restructuring once economic conditions changed during project implementation, but the rate of disbursement and progress against achievement of the indicators provided enough evidence to both Borrower and the Bank not to pursue it. It would have been beneficial if the team had documented these efforts and been more proactive in formally discussing opportunities to restructure and further improve project implementation during the MTR or later. This would have helped the project team to focus more on monitoring development impact and improve economic externalities.

## IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

### A. QUALITY OF MONITORING AND EVALUATION (M&E)

#### M&E Design

54. The PDO statement was straightforward, having clearly indicated what the project intended to do: i.e. injecting longer-term funding into the Islamic finance market and supporting the factoring industry, and through these financing markets making the funding available to a certain number of SMEs and EOEs. However, the target end-beneficiaries could have been further defined. This is because the project apparently could not reach a critical mass of SMEs and EOEs in Turkey. In addition, it appears a linear line was drawn between the availability of longer-term funding and the general improvement of access to finance, although the latter requires much more to

achieve (e.g. regulatory reforms and financial infrastructure development). The Bank was involved in a number of these reforms throughout project implementation, but the pace of reform was slower than the project implementation to allow for better capture of the SMEs and EOEs.

55. Two Outcome Indicators were relevant benchmarks for monitoring and evaluating the progress towards the PDO, i.e. the indicator on the average maturity of the participation-bank PFIs and that on the size of export factoring in the total factoring volume of the factoring-company PFIs. However, they were very generous as any end-results that were larger than the ratio of 1 would be considered to have met the targets. The other two indicators were actually outputs (number of SME beneficiaries and of EOE beneficiaries). No indicators were adopted to monitor the extent to which the end-beneficiaries' access to finance was improved, although this target was clearly indicated in the PDO statement.

56. Out of the four "hard" Intermediate Results indicators (i.e. indicators with end-values), the indicator on the share of Bank support in the priority regions was a relevant measurement for the project's economic externality. The indicator on PFIs' prudential compliance was more of a legal covenant in nature.

**57.** There was a group of "soft" Intermediate Results indicators without any end-values. These indicators appear to be copied from the Bank Group's core indicators system and might serve the purpose of certain sector review/research program. According to the apex bank, collecting information for these indicators was quite challenging

### M&E Implementation

58. Project supervision was focused on achieving results framework targets and the disbursement rate of the IBRD loan. Opportunities were missed to address the above identified M&E design deficiency.

### M&E Utilization

59. There were eight Implementation Status and Progress reports (ISR) during the four years of project implementation. All the ISRs contained updated data on the progress towards achieving the results. However, the ISRs could have included additional information (in comments) to describe in more detail e.g. why there was little progress under one indicator or why some indicator was exceeded. If better prepared, the ISRs would have been a more useful tool to provide key management information on the status, the pending issues and the proposed actions.

### Justification of Overall Rating of Quality of M&E

**60.** Rating**:** *Modest***.**

61. This rating takes into consideration of the design deficiencies and the missed opportunity to address the these during project implementation, or to fully document the discussions and justifications for decisions reached. The straightforward statement of the results framework is an upward factor for the rating.

## B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

62. **Environmental**: The Environmental Category of the project is FI, as all the investments under the project were not be identified until project implementation. Environmental issues of sub-borrowers and their sub-projects were addressed through the sub-finance environmental eligibility assessments. Environmental assessments were carried out in accordance with both the Government of Turkey Environmental Assessment Regulation (Regulation on Environmental Impact Assessment, from the Ministry of Environment and Urbanization-MoEU) and the World Bank operational policies. By the nature of the project, working capital or investment finance applications included machinery purchase/replacement or small-scale construction works. While Turkish environmental safeguards requirements are relatively stringent, they differed from the World Bank requirements, particularly for physical expansion, for which Turkish legislation does not mandate the preparation of an environmental management plan. Under the project, this "discrepancy" actually required preparation of an Environmental Review Framework for the purpose of clarification and providing guidance to TSKB, PFIs and sub-borrowers. The environmental review framework also included evaluation forms for assessing the environmental due-diligence of the existing facilities (SMEs) which will be applying for working capital or investment loans. The environmental review framework was part of the Operations Manual. The environmental review framework was successfully implemented by the FI throughout the project implementation. TSKB staff continuously attended WB safeguard trainings and they had dedicated personnel to monitor the compliance of the project with regards to the framework. No major construction works were financed during the project implementation and the project mainly financed purchase of machinery for the existing facilities. The environmental due-diligence forms were filled by TSKB, PFI and sub-borrower representatives.

63. **Procurement**: The TSKB's APEX Unit had the necessary capacity to ensure compliance with Bank's procurement guidelines and reported the status of ongoing contacts. The resource available within the Bank team provided guidance as needed throughout project implementation. Procurement Performance Rating & Summary in mid-2018 rated procurement as satisfactory and in compliance with the procurement procedures set out in the legal agreement.

64. **Financial management**: FM performance was rated as highly satisfactory in January 2016 and until end of the project, increasing the rating from previous satisfactory rating. FM ratings were highly satisfactory because on top of fully complying with the FM covenants, TSKB had excellent systems in place for the APEX management from application, to verification of documents and all the internal controls in between. The IA2F transaction flows were automated and well documented in the APEX online system. The Project audit reports were timely. The auditors always issued unmodified opinions and they did not issue a management letter. The Bank's FM staff regarded TSKB to have the best APEX management system among the credit-line operations implemented in Turkey thus far. Relative to other banks that implemented credit line operations, TSKB took responsibility/ownership from top management down to specialists under this project.

## C. BANK PERFORMANCE

### Quality at Entry

65. After a dozen similar line of credit operations, the Bank began to reach out to Islamic financial institutions and factoring companies under this project at a time when the Turkish government and the Bank were enhancing support to Islamic banking. Studies were carried out on the role of Islamic banking and factoring in the development of the SME sector and growth of export. Based on the results of the studies the Bank decided to expand the longer-term funding support to these two types of institutions. In designing the project, the Bank also incorporated the lessons learnt under the previous line of credit operations, especially with regard to PFI, sub-borrower and sub-project eligibility criteria and single-borrower exposure limits. The inclusion of the reflow requirement in the legal covenants helped mitigate the risk that the project would be a one-time action in injecting longer-term funding into the targeted markets.

66. The main weakness in quality at entry was a lack of planning for achieving and evaluating the development impact of line of credit line operations, such as what could be realistically achieved and how to define and monitor them. Associated with this drawback was the lack of efficiency analyses. While it is often not feasible to conduct quantitative economic and financial analyses (e.g. EIRRs and FIRRs) for a line of credit operation that intends to support a dispersed number of SME borrowers in different sectors, a certain level of qualitative analysis should be carried out at appraisal to estimate the externalities (development impact) of the project. Building the results chain from activities to outcome is an important part of project preparation, and for this project, more time could have been spent on strengthening the design of the results chain in order to better monitor, evaluate and assess the implementation progress and the final results.

67. ***Rating of Quality at entry is Moderately Satisfactory.***

### Quality of Supervision

68. Bank supervision of the project was focused on project results as defined in the PAD and the legal document, as well as on ensuring full disbursement of the IBRD loan proceeds by the original closing date. In the first two years of project implementation the Bank task team regularly reviewed the PFIs' financials in the context of sector developments. The PFIs' compliance with the project's legal covenants were also regularly reviewed. Problems affecting the demand of sub-loans were reported. This was a good practice in line of credit operations and was reflected in the borrower's own ICR, the Bank team "always assisted TSKB in a very cooperative manner and the Bank colleagues were always accessible and responded effectively and in prompt manner."

**69.** Data on the results indicators were regularly updated in the ISRs. However, by the end of 2016 the ISR clearly indicated that there were problems in signing in SME sub-borrowers while the number of EOE sub-borrowers exceeded the original estimate by a large margin. Despite discussions held between the Bank team and the Borrower, no major actions were undertaken to address the problem to facilitate the achievement of the relevant PDO indicator. The Bank operational policies provide project restructuring to address the design issues such as those identified under this project. Such a restructuring could have modified the relevant project design to facilitate results-based monitoring and evaluation.

**70.** Bank task team leader were frequently replaced: in the four years of project implementation, there were three TTLs although a core team member had been maintained who was based in country and maintained regular contact with all stakeholders. The practice of maintaining such a staff in country helped smooth out the interruptions due to the TTL changes. This is particularly important as numerous Bank project ICRs have provided evidence that frequent changes of TTLs affect the effectiveness of project supervision quality.

**71.** ***Rating of Supervision is Moderately Satisfactory***

### Justification of Overall Rating of Bank Performance

72. **Rating**: *Moderately Satisfactory*

73. Under this project the Bank continued to respond to the market demand for longer-term funding and reached out to financial intermediaries beyond the conventional banks. The design of the line of credit took into consideration the lessons learnt from the Bank's earlier projects. The Bank maintained good communication with the counterparts and responded to their requests in a timely manner during project implementation. The project supervision went beyond disbursement rate to monitor and reported on the financial status of the PFIs, the relevant financial market developments and the changes in the demand of the Bank funding. These are the upward factors for the rating.

**74.** The downward factors for the rating include the lack of development impact perspective in the project design, the weaknesses in the design of the results framework, the missed opportunity to address the design weaknesses during project implementation, and the frequent replacements of TTLs.

## D. RISK TO DEVELOPMENT OUTCOME

75. The main risk to the sustainability of the outcomes is the significantly increased volatility of the economy but this is outside the control of the Bank and the team. Based on the ICR team's field visits, there are already signs of lowered desire to invest in capital goods and weakened demand for foreign-currency denominated loans.

# V. LESSONS AND RECOMMENDATIONS

76. Lessons learnt under this project are similar to those learnt under the Turkey SME III project which was also closed at the end of 2018. Some of the lessons have also been reported in many other ICRs, such as the need to avoid frequent replacement of task team leaders, and the importance of engaging capable institutions for project management and implementation. Where institutional capabilities are not up to the task, capacity building activities, either financed by the Bank loan or by counterpart funding, should be included in project activities.

77. The following are three lessons with regard to the design and supervision of a line of credit operation.

78. **Commercial viability is critical** in order to ensure that the scarce longer-term funding mobilized by the Bank will not support troubled institutions or be wasted on non-performing loans. A line of credit's eligibility criteria of PFIs, sub-borrowers and sub-projects, as well as the terms and conditions of subsidiary and sub loans, have to be based on financial viability. Sub-projects have to make commercial sense. As the project shows, making the criteria and terms and conditions part of a project's legal covenants helps ensure the application of the criteria and the terms and conditions throughout project implementation.

79. **The Development impact aspect of a Bank line of credit operation should be clearly defined at beginning, taking into consideration the local conditions and the limit of a Bank project**. The efficiency of a Bank project is measured by the positive externalities (quantitative and/or qualitative), in addition to the rate of return of the investment. A line of credit should not stop at pumping longer-term funding into apex banks and PFIs, it should ensure that there is value for the money. Once this aspect of a project is overlooked, the design, implementation and utilization of the project results chain and the results framework are be weakened.

**80. Supervision is more than ensuring disbursement** – It is equally important to monitor market developments, PFI eligibilities, quality of Bank funded portfolios and impact on end-borrowers, in order to take timely responses when needed. This requires good project supervision planning, e.g. on face-to-face meetings with PFIs and field visits of end borrowers. It also requires timely reporting of the main issues found and their resolutions for better management information.

## ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

### A. RESULTS INDICATORS

#### A.1 PDO Indicators

**Objective/Outcome:** Improve access to longer term Islamic finance and to factoring for small and medium enterprises

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Ratio of the average maturity of Islamic sub-financing under the project, over the average maturity of the Islamic finance PFIs' portfolio not financed under the project. | Text | 1<br>01-Aug-2014 | >1<br>31-Dec-2018 | | 3.5<br>31-Dec-2018 |

**Comments (achievements against targets):**

This PDO indicator was achieved.

The actual achieved at completion was updated following the report for YE2018 from Borrower's ICR.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Number of SME beneficiaries financed by PFIs under the project (cumulative). | Number | 0.00<br>01-Aug-2014 | 300.00<br>31-Dec-2018 | | 135.00<br>31-Dec-2018 |

**Comments (achievements against targets):**

This PDO indicator was not achieved.

The project financed a total of 330 enterprises. The target value was 300 SMEs but by project closure the project reported a number of 135 SME beneficiaries (as reported for YE2018 by Borrower's ICR). The target for EOEs was 30, while the end result of the project was 195 companies.

Out of these EOEs, 68 met project's SME selection criteria. Taking this fact into consideration, the readjusted end-project data for the two PDO indicators would be: 203 SMEs and 127 EOEs beneficiaries

**Objective/Outcome:** Improve access to longer term Islamic finance and to factoring for export oriented enterprises

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Ratio of export factoring sub-financing in the fact. portfolio financed under the project, over the fact. comp. PFIs' export factoring finance in the factoring portfolio not financed under the project | Text | 1<br>01-Aug-2014 | >1<br>31-Dec-2018 | | 13.4<br>31-Dec-2018 |

**Comments (achievements against targets):**

This PDO indicator was achieved.

The actual achieved at completion was updated following the report for YE2018 from Borrower's ICR.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Number of EOE beneficiaries financed by PFIs under the project (cumulative). | Number | 0.00<br>01-Aug-2014 | 30.00<br>31-Dec-2018 | | 195.00<br>31-Dec-2018 |

**Comments (achievements against targets):**

This PDO indicator was exceeded.

The project financed a total of 330 enterprises. The target value was 300 SMEs but by project closure the project reported a number of 135 SME beneficiaries (as reported for YE2018 by Borrower's ICR). The target for EOEs was 30, while the end result of the project was 195 companies (as reported for YE2018 by Borrower's ICR).

Out of these EOEs, 68 met project's SME selection criteria. Taking this fact into consideration, the readjusted end-project data for the two PDO indicators would be: 203 SMEs and 127 EOEs beneficiaries

### A.2 Intermediate Results Indicators

**Component:** A credit line to TSKB to on-lend/finance intermediation through participation bank and factoring company PFIs to SMEs and EOEs.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Number of PFIs under the project (cumulative). | Number | 0.00<br>01-Aug-2014 | 6.00<br>31-Dec-2018 | | 7.00<br>30-Jun-2018 |
| **Comments (achievements against targets):** | | | | | |

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Volume of Bank support (cumulative, US$ million). | Number | 0.00<br>01-Aug-2014 | 250.00<br>31-Dec-2018 | | 249.50<br>30-Jun-2018 |

**Comments (achievements against targets):**

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Based on Core Indicator: Volume of Bank Support: Lines of Credit - SME (cumulative, US$ million). | Number | 0.00<br>01-Aug-2014 | 150.00<br>31-Dec-2018 | | 71.40<br>30-Jun-2018 |

**Comments (achievements against targets):**
The actual achieved at completion was updated following the report for YE2018 from Borrower's ICR.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Outstanding export finance portfolio (US$ million). | Text | n/a<br>01-Aug-2014 | n.a.<br>31-Dec-2018 | | 710<br>30-Jun-2018 |
| **Comments (achievements against targets):** | | | | | |

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Based on Core Indicator: Outstanding SME finance portfolio (US$ million). | Text | n/a<br>01-Aug-2014 | n.a.<br>31-Dec-2018 | | 3,072<br>30-Jun-2018 |
| **Comments (achievements against targets):** | | | | | |

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Number of active export finance accounts (not cumulative). | Text | n/a<br>01-Aug-2014 | n.a.<br>31-Dec-2018 | | 639<br>30-Jun-2018 |
| **Comments (achievements against targets):** | | | | | |

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised | Actual Achieved at Completion |
|---|---|---|---|---|---|

| | | | | Target | |
|---|---|---|---|---|---|
| Based on Core Indicator: Portfolio Quality: Portfolio at risk (%). | Text | 0.4<br><br>31-Dec-2013 | n.a.<br><br>31-Dec-2018 | | 0.2<br><br>30-Jun-2018 |
| **Comments (achievements against targets):** | | | | | |

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Based on Core Indicator: Number of active SME finance accounts (not cumulative). | Text | n/a<br><br>01-Aug-2014 | n.a.<br><br>31-Dec-2018 | | 47,876<br><br>30-Jun-2018 |
| **Comments (achievements against targets):** | | | | | |

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Based on Core Indicator: Financial Sustainability: Return on Assets (%) | Text | 2.8<br><br>31-Dec-2013 | n/a<br><br>31-Dec-2018 | | 2.3<br><br>30-Jun-2018 |
| **Comments (achievements against targets):** | | | | | |

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Based on Core Indicator: Financial Sustainability: Return on Equity (%) | Text | 17.9<br>31-Dec-2013 | n/a<br>31-Dec-2018 | | 18.4<br>30-Jun-2018 |
| Comments (achievements against targets): | | | | | |

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Compliance with prudential regulation. | Yes/No | Y<br>01-Aug-2014 | Y<br>31-Dec-2018 | | Y<br>30-Jun-2018 |
| Comments (achievements against targets): | | | | | |

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---|---|---|---|---|---|
| Percent of SME sub-finance financing SME Sub-projects in priority regions. | Percentage | 0.00<br>01-Aug-2014 | 15.00<br>31-Dec-2018 | | 29.00<br>30-Jun-2018 |
| Comments (achievements against targets): | | | | | |

## B. KEY OUTPUTS BY COMPONENT

| Objective/Outcome | |
|---|---|
| Outcome Indicators | 1. Ratio of the average maturity of Islamic sub-financing under the project, over the average maturity of the Islamic finance PFIs' portfolio not financed under the project (>1).<br>2. Ratio of export factoring sub-financing in the factoring portfolio financed under the project, over the factoring company PFIs' export factoring finance in the factoring portfolio not financed under the project. (>1) |
| Intermediate Results Indicators | 1. Number of PFIs (6)<br>2. PFIs' compliance with supervisory authorities' prudential regulations3. Percentage of SME subprojects in priority regions (15) |
| Key Outputs by Component<br>(linked to the achievement of the Objective/Outcome 1) | 1. Number of SME beneficiaries (300)<br>2. Number of EOE beneficiaries (70)<br>3. IBRD loan fully disbursed (US$250 million) |

## ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A

### A. TASK TEAM MEMBERS

| Name | Role |
|---|---|
| **Preparation** | |
| Ilias Skamnelos | Task Team Leader(s) |
| Salih Bugra Erdurmus | Procurement Specialist(s) |
| Zeynep Lalik | Financial Management Specialist |
| Zeynep Durnev Darendeliler | Social Specialist |
| Esra Arikan | Social Specialist |
| **Supervision/ICR** | |
| Alper Ahmet Oguz, Alexander Pankov, Ruvejda Aliefendic | Task Team Leader(s) |
| Salih Bugra Erdurmus | Procurement Specialist(s) |
| Zeynep Lalik | Financial Management Specialist |
| Hulya Bayramoglu | Team Member |
| Ilias Skamnelos | Team Member |
| Sanjay Agarwal | Social Specialist |
| Arzu Uraz Yavas | Social Specialist |
| Esra Arikan | Environmental Specialist |

### B. STAFF TIME AND COST

| Stage of Project Cycle | Staff Time and Cost | |
|---|---|---|
| | No. of staff weeks | US$ (including travel and consultant costs) |
| **Preparation** | | |

| | | |
|---|---|---|
| FY14 | 30.463 | 190,938.89 |
| FY15 | 2.226 | 7,660.78 |
| **Total** | **32.69** | **198,599.67** |
| **Supervision/ICR** | | |
| FY15 | 22.113 | 128,029.57 |
| FY16 | 15.018 | 44,585.93 |
| FY17 | 20.335 | 83,159.62 |
| FY18 | 9.180 | 66,764.43 |
| FY19 | 10.339 | 68,312.63 |
| FY20 | 1.000 | 5,217.41 |
| **Total** | **77.99** | **396,069.59** |

## ANNEX 3. PROJECT COST BY COMPONENT

| Components | Amount at Approval (US$M) | Actual at Project Closing (US$M) | Percentage of Approval (US$M) |
|---|---|---|---|
| A credit line to TSKB to on-lend/finance intermediation through participation bank and factoring company PFIs to SMEs and EOEs. | 250.00 | 250.00 | 250.00 |
| **Total** | **250.00** | **250.00** | **250.00** |

## ANNEX 4: EFFICIENCY ANALYSIS

There was no quantitative or qualitative analysis of project efficiency at project appraisal. At the ICR time, it will be difficult to conduct a cost-effectiveness analysis since such analysis would require considerable budgetary resources and the buy-in of the borrowers and the beneficiaries, especially if there is a lack of analysis at first. Hence the efficiency analysis of this project is to ask whether the project generated positive externalities and whether there is “value for money”.

Given the outcomes achieved, the ICR team finds the project might have, in general, positive externalities, in terms of supporting the development of the Islamic Finance and the factoring industry in Turkey, since the participation bank PFIs are dominant in Turkey’s Islamic Finance market and the factoring company PFIs account for a significant share of the industry.

In addition, the apex bank has confirmed that in the second part of the project implementation period it began to reflow the IBRD loan principals repaid by the PFIs in the form of two apex loans. This was a legal covenant under the project. The reflows are expected that the funding will continue to improve the liability maturity of the leasing companies, enabling them to extend longer-term leasing to eligible SMEs in need. It is also hoped that the reflows may engage interested and eligible banks beyond the PFIs and reach out to more SMEs.

There was also a certain level of value for money in terms of equality as the project ensured that 29percent of the IBRD loan proceeds supported sub-projects in priority regions.

## ANNEX 5. BORROWER'S ICR

Innovative Access to Finance Project Loan Agreement was signed on August 22, 2014 and became effective on December 4, 2014. Subsidiary Finance Agreements with three participation banks and three factoring companies were completed till the end of first half of 2015. The last agreement was signed on May 24, 2016 with newly established participation bank, called Ziraat Katılım.

Disbursements on the PFI side, especially for the participation banks, fluctuated (accelerated and slowed down) due to economic environment, volatility on both interest and exchange rates mainly driven by political instability, geopolitical risk as well as the global trends. During the implementation period, four nationwide elections and one coup attempt took place and the Turkish Lira depreciated by 179 percent since the signing date. Also the high personnel turnover rates in the participation banks affected the implementation pace of the Project.

In the Project design phase, TSKB visited the participation banks and investigated their Islamic finance models. After talks to PFIs and investigations, it is decided that most applicable method is to have Wakalah Agreement as Subsidiary Finance Agreement and Murabahah and Ijarah as sub-loan agreements. This design is also negotiated with WB team and Project is designed in a collaborative way.

In context of this Project, TSKB signed its first Wakalah Agreements with Participating Participation Banks. This was also a challenge and an opportunity for TSKB to increase its capacity in supporting and understanding Islamic finance. Within the Project TSKB cooperated with four Participation Banks and get approval from their Sharia Boards separately. Some of TSKB employees received additional trainings on Islamic finance.

It was also the first time TSKB cooperated with factoring companies and learn more about their transactions.

As it is also apparent from the PDOs of the Project, through this Project Participation Banks were able to offer long-term finance for their customers' needs. PBs' offer and disbursement to their customers were one to one associated with TSKB's approval and disbursement to PBs. By this means, PBs tried to convey the maturity and interest rate benefit to their customers and supported the objectives of the Project.

This project supported factoring companies to expand their customer portfolio and to provide favorable terms to their customers besides increasing their reputation by providing WB source.

The PFIs' access to such long term thematic funds from IFIs are limited. Through this project PFIs increased their capacity on environmental standards, procurement procedures and financial criteria. They also encouraged their customers to obtain necessary documentation for their operation and assess their projects accordingly. PFIs found the opportunity to support long term financing needs of their mostly exporter SME and EOE customers.

(ii) Assessment of the outcome of the operation against the agreed objectives; with a focus on providing evidence of the achievement of the operation's objectives and of the contribution of the supported activities and outputs to the project's development outcomes;

Data collection and consolidation

- When the PDO targets are considered, the number of SMEs financed seems to be less than the targeted. This is mainly due to the currency of the sub-loan, which is limited to USD or EUR. The PFIs are selecting then the most of their final beneficiaries from the exporters and/or the companies having FX revenues. Since the Project has no limitation on the number of SME and EOE applications, the tendency was towards the EOE side, even if some of the final beneficiaries can

be classified as SMEs. This was mainly because of the requirement of Ministry of Treasury and Finance on the allocations in priority regions. According to this provision minimum 15 percent of the SME funding should allocated to the SMEs located in priority regions. These are the regions, where PFIs refrain to extend loans since economic activities in these regions are limited.

(iii) Assessment of the key factors and events pertaining to the Bank, borrower, co-financiers, other partners, and the external environment during preparation and implementation that affected performance and outcomes;

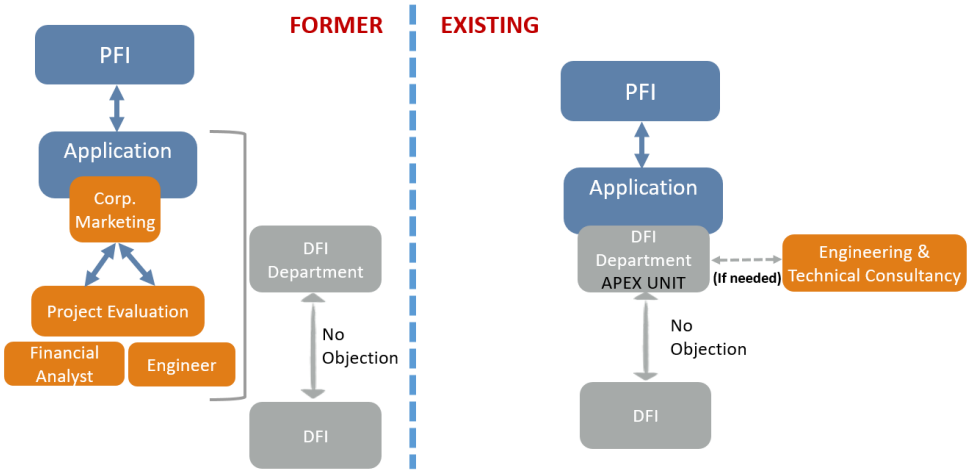
- Organization in TSKB:
  Throughout the Project implementation phase TSKB realized some organizational changes. At the end of 2014, a new department was established, specifically to manage the relations with the International Development Finance Institutions and supply long-term thematic funding for TSKB. This department was formed by dividing the existing Financial Institutions (FI) department into two departments (FI & DFI) and additionally by including experts with different multi-disciplinary backgrounds from different departments like Financial Analysis, Engineering, and Budget Planning.

  Till the establishment of APEX Unit within the DFI department, the evaluation of the APEX applications were performed by four departments including corporate marketing, financial analysis, engineering and DFI with the following flow;
  - Corporate marketing receives the application via APEX online and electronic work flow is triggered,
  - Application was transferred to department heads of engineering and financial analysis,
  - A financial analyst and an engineer is assigned for that application,
  - Both parties investigate the application separately;
    - Engineers check the environmental categorization, environmental forms and check the eligibility of the invoices.
    - Financial analysts check the financial criteria, general eligibility of the application,
  - If there are some inconsistencies in the applications and/or missing documents, these are requested from Corporate Marketing department separately,
  - Corporate Marketing department conveys the requests to the PFIs,
  - PFIs communicates with the end borrowers and collects the missing data and informs the Corporate Marketing department,
  - Corporate Marketing department informs both departments,
  - Engineering and Financial Analysts check the received data/documents and approve accordingly.
  - If the sub-loan has to receive IBRD's no objection (as a first application and/or loan amount is higher than the threshold defined in operational manual) or if there is an issue to be communicated; DFI department is informed.

  The processing time could reach up to some several weeks during the evaluation of applications.

  At the beginning of year 2016 an APEX Unit is established within the DFI department specifically to evaluate the applications and realize fast implementation of the project. This unit receives the applications, gets back to PFIs, if there is any need, communicates with DFIs. After the implementation response time decreased tremendously to 1-2 days or even hours.

Below you may also find a flow diagram, representing the former and existing organization.




- Besides optimizing the organizational structure, the APEX online web-portal was also reviewed and updated to create a leaner, more user-friendly interface between the PFIs and TSKB. This update also enabled flexible structure so that the system is easily updated with new parameters, when new credit line with new parameters is there.

- During the implementation period, the participating PBs had high personnel turnover rates. The changes in the responsible people and the management especially within the PBs was an important parameter that reduces the effectiveness of the implementation. It was also an additional burden for TSKB to repeat the trainings and introduce the process and the structure repeatedly.

- PFIs contributed to the Project effectively by participating missions of WB, sending applications in timely manner, being proactive, initiating required marketing activities and organizing site visits when it is required. Data collection for semi annual reporting can take longer time that it is expected.

  Below you may also find the video (with the participation of TSKB and Albaraka Türk) by World Bank, prepared to introduce the Project and demonstrate the positive impact created.
  *https://www.albaraka.com.tr/en/world-bank-originated-credits.aspx*
  *http://www.worldbank.org/en/news/feature/2016/09/12/turkeys-smes-prosper-through-islamic-financing*

- During the Project implementation, WB always assisted TSKB in a very cooperative manner. World Bank colleagues were always accessible and responded effectively and in prompt manner. Even though we had three different Task Team Leaders throughout the Project, Mr. Alper Oğuz (Co-Task Team Leader) was always available there and supported TSKB. Throughout the Project we have been in contact with Task Team Leaders, Zagreb office, Environmental Specialist, Procurement Specialist and Financial Management Specialist.

- During the Project implementation period, there was a high demand for financing of small size unlicensed solar power plants. Since there was construction involved in the nature of such projects, they were classified as Category B projects. In order to support these projects a sample environmental management plan developed with WB Environmental Specialists and this template was shared with the PFIs. The PFIs also these documents shared with their customers and made them apply in their projects. This was a good example for cooperation and effective communication between the parties.

- Excel application forms were created in English with Turkish comments, popping up when the cursor is on the selected cell. But this created some confusion for the Relationship Managers in the branches of the PFIs. That was our improvement point for the upcoming project.

- Some of the reporting requirements including PDO indicators are only given in operational manual in English and supplied to PFIs as a separate annex of the Subsidiary Loan Agreement. This makes them not visible and accessible since PFIs are mostly concentrating on the requirements depicted in the loan agreement. This bulky document was read by limited number of PFIs' officials. In the succeeding credit line operational manual was translated in Turkish and APEX - PFI related parts are inserted into the subsidiary loan agreement.

- The disbursement from TSKB to PFI could be realized after the proforma invoices related to that sub-loan are received from PFI. But there may be some time gap (can be months) till the final invoices are received. TSKB has to follow up on the final invoices in order to complete its withdrawal from World Bank. This process resulted in financing gap between disbursement from TSKB to PFI and the disbursement from WB to TSKB.

- WB realizes the disbursement against the invoices that are financed. Requesting working capital expenditure invoices from the beneficiaries of factoring companies was irrelevant, where the financed factoring transaction is related to the receivables of the beneficiary company rather than its expenditures.

(iv) Evaluation of the borrower's own performance during the preparation and implementation of the operation with special emphasis on lessons learned that may be helpful in the future; and

- At the beginning of the Project, TSKB collected the demands of PFIs for EUR and USD tranches. These were then set and defined in loan agreement. Afterwards, also with the changing economic environment (increasing interest rates on USD), EUR denominated loan demand increased and the disbursements from USD side almost stopped. TSKB internally converted the currency of the loans and amended the subsidiary loan agreement according to the demands of PFIs. But this created complexity to couple different currency application with different currency withdrawals from IBRD. TSKB realized currency conversions several times to speed up the disbursement of the line, on the other hand this resulted in more complex structure to manage by TSKB**.**

  For the future projects single currency denominated loan (between IBRD and TSKB) will be more preferable if there is no special cost benefit for the other proposed currency.

- The experienced gained in APEX banking side is also shared with other stakeholders like newly established Development Bank of Nigeria (DBN) with the support of DFIs that TSKB is actively working with, like World Bank, EIB, KfW, AFD and AfDB. TSKB prepared several experience sharing session in its premises to give insights on its APEX structure, which departments are involved, their duties and the processes. DFI, corporate marketing, loans, loans operations, risk management, application development and treasury were the main departments that participated such sessions.

(v) Description of the proposed arrangements for future operation of the project.

- In this Projects and in former IBRD projects collecting every invoice for the whole financing was very complex and cumbersome process. Withdrawals against the disbursement to the final beneficiaries is already implemented; this is a meaningful step for an effective disbursement and less operational burden.
- All the documentation (all the forms, operations manual) needed from PFI side is prepared only in Turkish. When it is required to be sent to WB, the needed documents are translated.
- The required reporting from PFI side are depicted more clearly and in Turkish in the Subsidiary Finance Agreement between TSKB and PFI. It is done accordingly in the Inclusive Access to Finance Project.
- TSKB's APEX Unit checked all applications for their compliance with the Project requirements and providing support to PFIs when needed including through consulting the WB's environmental specialist. All the needed documentation is requested from PFI during the application phase, since it would be more difficult for PFIs to ask for that afterwards.
- Themes of the APEX credit lines can be diversified with the themes like innovation, energy efficiency and rooftop solar

**PFI monitoring by TSKB (As of December 31, 2018)**

| (US$mln) | TSKB | Participation banks | | | | Factoring companies | | | Banking sector average | Factoring sector average |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Kuveyt Türk | Albaraka Türk | Türkiye Finans | Ziraat Katılım | Finans Faktoring | İş Faktoring | Yapı Kredi Faktoring | | |
| Assets | 7,280 | 14,110 | 8,026 | 8,944 | 4,204 | 238.0 | 527.0 | 657.0 | 14,135 | 113 |
| CAR (%) | 16.2 | 17.7 | 14.7 | 16.6 | 12.8 | - | - | - | 17.3 | - |
| NPL (%) | 2.1 | 2.5 | 6.9 | 5.5 | 2.0 | 5.9 | 1.1 | 4.8 | 3.7 | 6.3 |
| ROA (%) | 2.0 | 1.3 | 0.4 | 1.0 | 2.0 | 2.7 | 4.2 | 2.5 | 1.76 | 3.3 |
| ROE (%) | 16.0 | 17.3 | 4.3 | 10.6 | 18.0 | 32.5 | 60.6 | 34.9 | 14.67 | 20.8 |
| Factoring receivables | - | - | - | - | - | 231.0 | 519.0 | 644 | - | 103 |
| Factoring volume | - | - | - | - | - | 1,013.0 | 1,999.0 | 4,648 | - | 525 |

## ANNEX 6. ANNEX 6. SUPPORTING DOCUMENTS (IF ANY)