



Project Summary Information

Date of Document: January 28, 2021

Project Name	Bangladesh COVID-19 Emergency and Crisis Response Facility
Project Number	P000415
AIIB member	The People's Republic of Bangladesh
Sector/Subsector	Financial Institution
Status of Financing	Approved
Project Description	<p>The project, financed by a sovereign-backed loan to the People's Republic of Bangladesh (Bangladesh), will be implemented by Bangladesh's central bank, Bangladesh Bank, which will on-lend the proceeds of the AIIB loan for short-term refinancing loans (up to 12 months) to participating financial institutions (PFIs). The aim of the refinancing loan is to provide liquidity support to commercial banks and non-bank financial institutions that will lend working capital financing to sub-borrowers under the government's BDT200 billion stimulus package for Cottage, Micro, Small & Medium Enterprises (CMSMEs). The loan will only be used for working capital financing comprising employee wages, inventory, payments on short-term debt and other day-to-day operating expenses.</p> <p><u>Government programs and AIIB financing</u></p> <ul style="list-style-type: none">• The Government of Bangladesh announced a BDT200 billion stimulus package for CMSMEs on April 13th, 2020, where PFIs will provide working capital loans from their own funds to COVID-19 affected CMSMEs (SMESPD Circular-1 dated 13 April 2020). Interest rate of these loan is 9% per annum, 4% of which will be paid by the client(s) and the rest 5% will be given by the government directly to the banks/ non-bank financial institutions as subsidy.• Bangladesh Bank further formed a Revolving Refinancing Scheme ("the Refinance Scheme") amounting to BDT100 billion from its own resources, in order to provide liquidity support to PFIs and assist them in their working capital financing under the government's stimulus package. Under the Refinance Scheme, Bangladesh Bank will refinance up to 50% of loans disbursed by PFIs to CMSMEs (SMESPD Circular-2 dated 26 April 2020).• Bangladesh Bank has proposed to use AIIB loan proceeds to provide additional liquidity support to the PFIs, over and above the Refinance Scheme. The PFIs may avail additional refinancing (over 50%, to 100%) from this project.

	This proposed project will be processed under AIIB's COVID-19 Crisis Recovery Facility.
Objective	To reduce liquidity constraints brought on by the COVID-19 pandemic to SMEs and cottage industries in Bangladesh.
Expected Results	<p>The expected results will be used to monitor the achievement of Project Objective Indicators against baseline and annual targets covering the following results:</p> <ol style="list-style-type: none"> 1) Percentage of nonperforming loans in the PFIs' portfolio 2) Number of eligible Sub-borrowers receiving financing 3) Percentage of loan value in Cottage, Micro and Small enterprises, and Medium enterprises
Environmental and Social Category	FI
Environmental and Social Information	<p>AIIB's Environmental and Social Policy (ESP) including the Environmental and Social Exclusion List (ESEL) and relevant Environmental and Social Standards (ESSs) applies to this Financial Intermediary (FI) Project. The Project has been placed in Category FI. The Bangladesh Bank has established "Guidelines on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh" (ESRM Guidelines), which are equivalent to an Environmental and Social Management System (ESMS). The ESRM Guidelines have been implemented for several projects with other international financial institutions and have been assessed to be consistent with the ESP. The ESRM will be applicable for this Project and will be reflected in the Operations Manual of this Project. A team of environmental and social (ES) experts in Bangladesh Bank's Sustainable Financial Unit will be formed to implement the ESRM Guidelines for this Project, through appropriate screening, approval and monitoring procedures. Each PFI will, as a condition of eligibility for financing under the AIIB loan, be required to adopt an ESMS in accordance with the ESRM Guidelines. The ESRM Guidelines and ESMSs will exclude Category A and high-risk Category B¹ subprojects and activities listed in the ESEL and the Exclusion List of ESRM Guidelines from eligibility for financing under the Loan.</p> <p>AIIB's team will monitor the implementation of the ESRM Guidelines and PFIs' ESMSs under this Project and conduct post review of ES performance of the sub-borrowers on a sample basis.</p>

¹ These high risk Category B sub-loans to be excluded from the AIIB financing are those transactions that may potentially result in: (i) land acquisition or involuntary resettlement, (ii) risk of adverse impacts on Indigenous Peoples and/or vulnerable groups, (iii) significant risks to or impacts on the environment, community health and safety, biodiversity, and cultural resources, and/or (iv) significant occupational health and safety risks.

	The PFIs will conduct stakeholder consultations and establish a line of communication with the affected people in order to understand and monitor potential impacts as specified in each of their ESMSs. The ESRM Guidelines have been disclosed on Bangladesh Bank's ² and AIIB's ³ websites.		
Cost and Financing Plan	Program cost: USD300 million AIIB loan: USD 300million		
Borrower	The People's Republic of Bangladesh		
Implementing Entity	Bangladesh Bank		
Estimated date of loan closing (SBF)	February 2024		
Contact Points:	AIIB	Borrower	Implementation Organization
Name	Neeraj Jain	Md. Shahriar Kader Siddiky	Lila Rashid
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Date of Concept Decision	October 2020		
Date of Appraisal Decision	November 2020		
Date of Financing Approval	January 28, 2021		
Independent Accountability Mechanism	AIIB's Policy on the Project-affected Peoples Mechanism (PPM) applies to this Project. The PPM has been established by AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement the ESP in situations when their concerns cannot be addressed satisfactorily through the Project-level GRM or the processes of AIIB's Management.		

² https://www.bb.org.bd/aboutus/regulationguideline/esrm_guideline_feb2017.pdf

³ <https://www.aiib.org/en/projects/details/2020/proposed/Bangladesh-COVID-19-Emergency-and-Crisis-Response-Facility.html>

	Information on AIIB's PPM is available at: https://www.aiib.org/en/policies-strategies/operational-policies/policyon-the-project-affected-mechanism.html
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