

## SBF Project Implementation Monitoring Report

### Sri Lanka: Sri Lanka COVID-19 Emergency and Crisis Response Facility

#### 1. Project Information

Project ID:	000408	Investment Number:	L0408A / L0408B
Member:	Sri Lanka	Region:	Southern asia
Sector:	Finance	Sub-sector:	Intermediary financing
AIB Financing Type:	Loan: 180 USD million	Co-financier(s):	N/A
E&S category:	FI	Borrower:	The Democratic Socialist Republic of Sri Lanka
Red Flags Assigned:	0	Monitoring Regime:	Regular Monitoring
Implementing Agency:	Bank of Ceylon; People's Bank		
Project Team Leader:	Neeraj Jain		
Project Team Members:	Abhijit Sen Gupta, Senior Economist Amy Chua, Environmental Specialist Giacomo Ottolini, Procurement Specialist (Consultant) Liu Yang, Counsel Marcin Sasin, Senior Economist Matthew Bleiman, Investment Associate Susrutha Goonasekera, Senior Social Specialist Yogesh Malla, Financial Management Specialist		
Completed Site Visits by AIB:	None		
Planned Site Visits by AIB:	None		

#### 2. Project Summary and Objectives

**Objective:** To support and increase the supply of liquidity to corporate and small-medium sized private enterprises in Sri Lanka affected by the economic upheaval due to the coronavirus disease pandemic.

**Summary:** The project will be supported by two sovereign-backed loans, one to each of two state-owned banks, Bank of Ceylon (BOC) and People's Bank (PB). The project will address the urgent need for liquidity by providing credit to corporates and small and medium-sized private enterprises (SMEs). These companies are facing short-term funding challenges due to the outbreak of the coronavirus disease (COVID-19) pandemic and the continued provision of credit is necessary to support the productive capacity of the country. BOC and PB will on-lend the proceeds to corporates and SMEs in the form of short-term working capital loans. Sri Lanka will be the guarantor of the loans. This project will be processed under the AIIB's COVID-19 Recovery Facility (CRF), a framework designed to assist members in responding to the COVID-19 pandemic.

**Financial Plan:** AIIB loans totalling USD180 million; USD90 million each to BOC and PB. The loans will have a final maturity of 7 years, including a grace period of 2 years and 6 months, and will be made on standard Fixed Spread Loan terms for sovereign-backed loans with the corresponding average maturity.

#### 3. Key Dates

Approval:	Feb. 25, 2021	Signing:	Mar. 15, 2021
Effective:	Apr. 19, 2021	Restructured (if any):	
Orig. Closing:	Sep. 18, 2022	Rev. Closing (if any):	

#### 4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	180	b) Cancellation (if any):	
c) Disbursed:	135.225	d) Most recent disbursement: (amount / date)	44.775, Jun. 28, 2021
e) Undisbursed:	44.775	f) Disbursement Ratio(%) <sup>1</sup> :	75.1

<sup>1</sup> Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e.,  $f = c / (a - b)$

## 5. Project Implementation Update

Both loans to People's Bank (L0408A) and Bank of Ceylon (L0408B) became effective on April 19, 2021. First disbursements of USD 45.225 million to each bank were made on April 22 (BOC) and April 23 (PB), including payment of capitalized upfront fees. BOC has disbursed over 80% as sub-loans and applied for a second withdrawal in the amount of USD 44.775 million, which was disbursed on June 28. Prior to second disbursement, AIIB received a list of the sub-projects that were funded by the first disbursement, confirming at least 80% of the first disbursement had been on-lent as per the loan requirements, and did a sample check to ensure compliance with AIIB policy requirements. PB has yet to request a second withdrawal. Thus, BOC has fully drawn its facility and PB has USD 44.775 million remaining. First reporting under each loan agreement is due one month after the end of Q2 2021.

According to the documentation provided by BOC when making the second withdrawal request, as of May 31, 2021 BOC disbursed a total of LKR 8,365,158,294 (~USD 43,604,870) to a total of 166 sub-borrowers, of which LKR 5,506,158,294 (66%) was disbursed to 149 (90%) SME sub-borrowers.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Loans to Bank of Ceylon and People's Bank	N/A - this is loan is to be on-lent for working capital purposes so there is no financing of capex.	The first two sub-loans from each Bank of Ceylon and People's Bank have been prior-reviewed and endorsed by AIIB ES specialists. Additional review were also carried out for corporate and SME loans during the first quarter of implementation.	N/A - The Borrowers are financing working capital loans through the facility. Short-term working capital facilities are not expected to be used to finance any capex expenditure projects. The sub-loans are not expected to finance contracts for goods or services. However, if they do, they are likely to be small contracts, in which case the provisions of paragraph 14.4 Financial Intermediaries under the Interim Operational Directive - Procurement Instructions for Recipients would apply, and the beneficiary will procure the items in accordance with the normal procurement practices of Private Entities provided they are acceptable to the Bank.  As noted elsewhere, since the loans became effective in Q2 2021, there has not yet been any quarterly reporting.

### Financial Management:

N/A as the first reports have not yet been submitted. As per the Project Operational Manual for both banks, quarterly reporting is due either one month or 45 days after the end of a quarter (depending on the report). The loan became effective in Q2 2021 which ended on June 30, 2021. Thus, it has not been a month since the end of the first quarter so no reports have been provided to date in accordance with the Project Operational Manuals.

## 6. Status of the Grievance Redress Mechanism (GRM)

An existing GRM in both People's Bank and Bank of Ceylon have been in operation. So far no complains have been received in regards to the project. The information on the AIIB's Project Affected People Mechanism have been incorporated in the Project Operation Manual for both People's Bank and Bank of Ceylon.

## 7. Results Monitoring

Results monitoring data not yet available as Year 1 is not yet complete. Additionally, reporting has not yet begun. Thus, no actuals available other than disbursements to date.

Baseline Year: Apr. 19, 2022 End Target Year: Apr. 18, 2026

### Project Objective Indicators #1

Cumulative value of working capital loans provided to eligible sub-borrowers

Year	Target	Actual	Others, if any
Apr. 19, 2022	180	135	

### Project Objective Indicators #2

Cumulative value of working capital loans provided to SMEs

Year	Target	Actual	Others, if any
Apr. 19, 2022	108	N/A	

## Project Objective Indicators #3

Cumulative value of working capital loans provided to women led sub-borrowers

Year	Target	Actual	Others, if any
May. 19, 2022	18	N/A	

## Project Objective Indicators #4

Number of eligible sub-borrowers receiving financing

Year	Target	Actual	Others, if any
Apr. 19, 2022	360	N/A	

## Project Objective Indicators #5

Number of SMEs receiving financing

Year	Target	Actual	Others, if any
Apr. 19, 2022	320	N/A	

## Intermediate Result Indicators #1

N/A

Year	Target	Actual	Others, if any
Apr. 19, 2022	N/A	N/A	

**Remarks:**