

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

1. Project Information

Project ID:	P000408	Instrument ID:	L0408A;L0408B
Member:	Sri Lanka	Region:	Southern Asia
Sector:	Finance/Liquidity	Sub-sector:	N/A
Instrument type:	<input checked="" type="checkbox"/> Loan:180.00 USD million <input type="checkbox"/> Guarantee	Co-financier(s):	
ES category:	FI	Borrower:	Bank of Ceylon; People`s Bank
Implementing Entity:	Bank of Ceylon; People`s Bank		
Project Team Leader:	Suyez Pinto		
Project Team Members:	Liu Yang, Project Counsel; Bernardita Saez, Alternate Counsel; Yogesh Malla, OSD - Financial Management Specialist; Susrutha Goonasekera, OSD - Social Development Specialist; Amy Chua Fang Lim, OSD - Environment Specialist; Chitambala Sikazwe, OSD - Procurement Specialist;		
Completed Site Visits by AIIB:	None		
Planned Site Visits by AIIB:	None		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2021 Q2		

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:	Jun. 30, 2022	Rev. Closing (if any):	
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4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	180.00	Most recent disbursement (amount/date):	44.78/Jun. 28, 2021
Undisbursed:	0.00	Disbursement Ratio (%): ¹ :	100.00

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, 2021. PB also disbursed over 80% as sub-loans and applied for a second withdrawal in the amount of USD 44.775 million, which was disbursed on September 29, 2021. Thus, to date both PB and BOC have fully drawn their respective facilities. 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.

Both PB and BOC have paid the first interest payment to AIIB on their respective facilities on time in December 2021.

Components	Physical Progress	Environmental & Social Compliance	Procurement	Financial Management
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	N/A as the first reports have not yet been submitted. As per the Project Operational Manual for both banks, the financial reports are to be submitted semi-annually. Considering that the loans have been disbursed in tranches between April and September 2021, the first set would be available within

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

			<p>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.</p> <p>Both PB and BOC have submitted the first quarterly reports.</p>	<p>45 days from the end of Q4 of 2021. The internal audit report of the Project shall be submitted semi-annually and shared with AIIB. The external audit reports for FY2021 will be submitted as follows: (i) the Project audited financial statements within 6 months from the fiscal year-end and (ii) the Bank's audited financial statements within 1 month from approval by the Boards, but no later than 1 year from end of the fiscal year. The audited Financial Statements for each such period shall also include the management letter(s) issued by the auditors.</p>
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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 (quarterly) has been furnished by PB (as of October 31, 2021) and BOC (as of September 30, 2021)

Project Objective Indicators #1

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

Year	Target	Actual	Comments, if any
Apr. 23, 2022	180	136.6	The data is upto the following dates: - PB - October 31, 2021 - BOC - September 30, 2021. While BOC had disbursed USD 82.8 mio, PB had disbursed only USD 53,79 mio (the 2nd tranche of USD 44.77 mio was disbursed only on September

			29, 2021.
Apr. 23, 2029	340	Not due yet	This is the final target. Intermediate yearly targets will be included and reported on when due

Project Objective Indicators #2

Cumulative value of working capital loans provided to SMEs

Year	Target	Actual	Comments, if any
Apr. 23, 2022	108	77.33	Same as above
Apr. 23, 2029	204	Not due yet	This is the final target. Intermediate yearly targets will be included and reported on when due

Project Objective Indicators #3

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

Year	Target	Actual	Comments, if any
Apr. 23, 2022	18	9.5	Same as above. Further, the amount of USD 9.5 mio pertains to BOC only. Data for PB is awaited.
Apr. 23, 2029	34	Not due yet	This is the final target. Intermediate yearly targets will be included and reported on when due

Project Objective Indicators #4

Number of eligible sub-borrowers receiving financing

Year	Target	Actual	Comments, if any
Apr. 23, 2022	360	1043	Same as above
Apr. 23, 2029	710	Not due yet	This is the final target. Intermediate yearly targets will be included and reported on when due

Project Objective Indicators #5

Number of SMEs receiving financing

Year	Target	Actual	Comments, if any
Apr. 23, 2022	320	992	Same as above
Apr. 23, 2029	630	Not due yet	This is the final target. Intermediate yearly targets will be included and reported on when due

Intermediate Result Indicators #1

N/A

Year	Target	Actual	Comments, if any
Apr. 23, 2022	N/A	N/A	

Remarks:

