

## SBF Project Implementation Monitoring Report

### Bangladesh: Bangladesh COVID-19 Emergency and Crisis Response Facility

#### 1. Project Information

Project ID:	P000415	Investment Number:	L0415A
Member:	Bangladesh	Region:	Southern Asia
Sector:	Finance/Liquidity	Sub-sector:	N/A
Financing Type:	<input checked="" type="checkbox"/> Loan: USD 300 million <input type="checkbox"/> Guarantee	Co-financier(s):	N/A
ES category:	FI	Borrowing Entity:	Ministry of Finance, Bangladesh
Implementing Entity:	Bangladesh Bank		
Project Team Leader:	Suyez Pinto		
Responsible DG:	Ke Fang		
Responsible Department:	IMD		
Project Team Members:	Christopher Damandl, Project Counsel; Liu Yang, Alternate Counsel; Chitambala Sikazwe, OSD - Procurement Specialist; Shonell Robinson, OSD - Financial Management Specialist; Zhixi Zhu, OSD - Environment & Social Development Specialist;		
Completed Site Visits by AIIB:	None		
Planned Site Visits by AIIB:	June 2022 (Video calls proposed with Borrower)		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2021/12		

#### 2. Project Summary and Objectives

Objective: To support credit expansion and reduce liquidity constraints brought on by the COVID-19 pandemic to Cottage, Micro, Small & Medium Enterprises (CMSMEs) in Bangladesh on a sound macroeconomic basis.

Financing plan: The implementation period is from February 2021 to February 2024. The loan will have a final maturity of 8 years, including a grace period of 3 years.

Summary: The project is supported by a sovereign-backed loan to the People's Republic of Bangladesh. The Ministry of Finance as the Executing Agency will authorize Project Implementation Unit (PIU) housed in Bangladesh

Bank (BB, central bank of Bangladesh) for on lending the loan proceeds. PIU will provide loans to participating FIs (PFIs) as refinance against the loans disbursed to Cottage, Micro, Small & Medium Enterprises (CMSMEs). PIU will select PFIs and PFIs will select CMSMEs based on certain financial and non-financial requirements (eligibility criteria) agreed between AIIB and the PIU, which are documented in the Project Agreement and Operations Manual of the Project.

### 3. Key Dates

Approval:	Jan. 28, 2021	Signing:	Feb. 26, 2021
Effective:	May. 27, 2021	Restructured (if any):	
Orig. Closing:	Feb. 29, 2024	Rev. Closing (if any):	

### 4. Disbursement Summary (USD million)

Contract Awarded:	0.00	Cancellation (if any):	0.00
Disbursed:	81.00	Most recent disbursement: (amount /date)	56.00/May 09,2022
Undisbursed:	219.00	Disbursement Ratio (%) <sup>1</sup> :	27%

### 5. Project Implementation Update

The project is supported by a sovereign-backed loan to the People's Republic of Bangladesh (the Borrower). The Ministry of Finance (MOF) is an Executing Agency acting on behalf of the Government of Bangladesh. The project will be implemented by Bangladesh Bank (The Central Bank of Bangladesh) (BB). The MOF will then on-lend the loan proceeds in the BDT equivalent under a subsidiary loan agreement to BB (Subsidiary Loan).

BB will provide loans to PFIs (Refinancing Loans) as refinance against the loans (sub-loans) disbursed to Cottage, Micro, Small & Medium Enterprises (CMSMEs) (Sub-borrowers). The sub-loans will be used for working capital financing comprising employee wages, inventory, payments on short-term debt and other day-to-day operating expenses.

BB has created a Project Implementation Unit (PIU) for the Project in SME & Special Programmes Department of Bangladesh Bank. It is responsible for accreditation of PFIs by evaluating against the eligibility criteria, receiving, reviewing and approving PFIs' refinance requests. It is monitoring the utilization and repayments of the Refinancing Loans and submit Project progress reports to AIIB quarterly. It is responsible for overall coordination with PFIs and monitor PFIs' compliance with the Participation Agreements. It will also be responsible for preparing disbursement projections and send withdrawal applications to AIIB in accordance with AIIB requirements. The project has been guided by an Operational Manual (OM) agreed between BB and the Bank. The OM includes implementation arrangement, eligibility criteria, and operational procedures for monitoring, reporting, financial management and ES risk management.

The project made its first disbursement of USD25 million on November 5, 2021, and subsequently second disbursement of USD 56 million on May 09, 2022. AIIB project team has approved 26 PFIs till date. As on April 07, 2022, the total amount refinanced by BB stood at USD 23.11 million.

<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.,  $f = c / (a - b)$

Components	Physical Progress	Environmental & Social Compliance	Procurement
BB will provide loans to PFIs (Refinancing Loans) as refinance against the loans (sub-loans) disbursed to CMSMEs (sub-borrowers). The sub-loans will be used for working capital financing comprising employee wages, inventory, payments on short-term debt and other day-to-day operating expenses.	The project made its first disbursement of USD 25 million on November 5, 2021, and subsequently second disbursement of USD 56 million on May 09, 2022. AIIB project team has approved 26 PFIs till date.	BB's "Guidelines on Environmental & Social Risk Management (ESRM Guidelines) for Banks and Financial Institutions in Bangladesh" (ESRM) are applicable to this Project.	No comments

**Financial Management:** The FM arrangement under the project appears to be adequately functioning, and no internal control deficiencies have been noted under the project to date.

The first official unaudited interim financial report shall cover up to the period ending June 30, 2022 and should be submitted to the Bank by August 14, 2022.

Due to the lack of disbursements up to June 30, 2021, an audit extension was granted by the Bank, extending the first audit period end from June 30, 2021, to June 30, 2022. Therefore, the first audit shall cover the period starting from project effectiveness to June 30, 2022. The audit report shall become due to the Bank on December 31, 2022.

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

A Project-level Grievance Redress Mechanism have been established at the Project Implementing Unit (PIU) and Participating FI (PFI) levels based on the existing GRMs. The PIU has established GRM system to address concerns/complaints/grievances associated through its Financial Integrity and Customer Services Department (FICSD). FICSD is the existing grievance channel in BB which will be used in this project. PFIs have their own GRMs in accordance with respect Environmental and Social Management System (ESMS). There are no grievances reported during the reporting period.

## 7. Results Monitoring

### Project Objective Indicators #1

Percentage of nonperforming loans in the PFIs' portfolio refinanced through AIIB facility

Target date	Target	Actual	Remarks
Nov 06, 2022	<=5%	Data pending from Bangladesh Bank	
Nov 06, 2023	<=5%		
Nov 06, 2024	<=5%		

**Project Objective Indicators #2**

Number of eligible sub-borrowers receiving financing

Target date	Target	Actual	Remarks
Nov 06, 2022	1500	1012	Actual as on 31 March 2022
Nov 06, 2023	2800		
Nov 06, 2024	4000		

**Project Objective Indicators #3**

Percentage of loan value in cottage, micro and small enterprises

Target date	Target	Actual	Remarks
Nov 06, 2022	70%	88.98%	Actual as on 31 March 2022
Nov 06, 2023	70%		
Nov 06, 2024	70%		

**Project Objective Indicators #4**

Percentage of loan value in medium enterprises

Target date	Target	Actual	Remarks
Nov 06, 2022	30%	11.02%	Actual as on 31 March 2022
Nov 06, 2023	30%		
Nov 06, 2024	30%		

**Intermediate Result Indicators #1**

Number of sub-borrowers with women owners or with one or more women in executive positions

Target date	Target	Actual	Remarks
Nov 06, 2022	400	Data pending from Bangladesh Bank	
Nov 06, 2023	720		
Nov 06, 2024	1040		

**Intermediate Result Indicators #2**

Number of PFIs

Target date	Target	Actual	Remarks
Nov 06, 2022	30	26	Actual as on 31 March 2022
Nov 06, 2023	30		

Nov 06, 2024	30		
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**Intermediate Result Indicators #3**

Number of jobs created/retained by sub-borrowers (disaggregated by gender)

Target date	Target	Actual	Remarks
Nov 06, 2022	M-10000 F-2000	M-13316 F-1554	Actual as on 31 March 2022
Nov 06, 2023	M-20000 F-4000		
Nov 06, 2024	M-30000 F-6000		