

Rwanda : Private Sector Access to Finance for Post-COVID Recovery and Resilience

1. Project Information

Project ID:	P000483	Instrument ID:	L0483A
Member:	Rwanda	Region:	Eastern Africa
Sector:	CRF-Finance/Liquidity	Sub-sector:	N/A
Instrument type:	<input checked="" type="checkbox"/> Loan:83.30 Euro million <input type="checkbox"/> Guarantee	Lead Co-financier(s):	World Bank
ES category:	FI	Borrowing Entity:	Ministry of Finance and Economic Planning, Rwanda
Implementing Entity:	Development Bank of Rwanda		
Project Team Leader:	Suzanne Shaw		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Christopher Damandl, Project Counsel; Shodi Nazarov, OSD - Financial Management Specialist; Yang Shuai, OSD - Environment & Social Development Specialist; Guoping Yu, OSD - Procurement Specialist; Furu Hu, Project admin		
Completed Site Visits by AIIB:	Jun, 2022 In-person participation to World Bank (WB) led Implementation Support Mission during 27-30 June, 2022		
Planned Site Visits by AIIB:	Jun, 2023 In-person participation to WB-led Implementation Support Mission during 18-23 June, 2023		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2022/09		

2. Project Summary and Objectives

The objective of the Project is to facilitate economic recovery and resilience in Rwanda by addressing the financing constraints of private sector businesses post COVID-19.

The Project provides financial support to the government's Economic Recovery Fund (ERF), a Fund created to support businesses most significantly affected by COVID-19 in Rwanda, and is comprised of 4 components:

Component 1 – Liquidity and recovery facility

Component 2 – Risk-sharing facility, to provide partial credit guarantees and de-risking mechanisms to MSMEs, in support of Component 1

Component 3 – Institutional strengthening and implementation, in support of Component 1

Component 4 – Contingency Emergency Response Component

AIIB is financing sub-component 1c, which comprises a working capital and investment credit line - AIIB funds support the investment credit line only (the Investment Window). The Ministry of Finance and Economic Planning

(MINECOFIN) is the coordinating entity of the Project. The Development Bank of Rwanda (BRD) is the implementing agency for sub-component 1c of the Project. Under component 1c, BRD will provide direct lending, and on-lending via commercial financial institutions, to large companies and SMEs, for working capital and investment financing in priority growth sectors of the economy.

3. Key Dates

Approval:	Jun. 24, 2021	Signing:	Jul. 29, 2021
Effective:	Dec. 27, 2021	Restructured (if any):	
Orig. Closing:	Dec. 31, 2027	Rev. Closing (if any):	

4. Disbursement Summary (EUR million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	58.99	Most recent disbursement (amount/date):	21.94/Sep. 09, 2022
Undisbursed:	24.31	Disbursement Ratio (%) ¹ :	70.82

5. Project Implementation Update

The component financed by AIIB, the Investment Window (IW), is implemented through direct lending from BRD to business entities, as well as through on-lending from BRD via participating financial institutions (PFIs), namely commercial banks, to business entities. Approximately 65% of the IW is envisaged to be channeled through on-lending, and 35% through direct lending. As of the end of 1Q2023, 86.5% of funds disbursed under the IW were through on-lending and 13.5% through direct lending from BRD. The total amount of financing (WB and AIIB combined) for the IW is 150 MUSD or roughly 125 MEUR at the time of AIIB loan approval. As of the end of 1Q2023, the implementing entity, BRD, had received and approved 99 applications for IW loans: 11 via direct lending and 88 through on-lending channels. The total amount in loans approved (i.e. loans assessed as meeting the IW criteria) by BRD as of 1Q2023 is 113 billion RWF (approximately 98 MEUR, based on an approximate average exchange rate of 1EUR = 1150 RWF for 1Q2023), of which 99.8 billion (87 MEUR) originated through on-lending institutions and 13.2 billion (11 MEUR) via direct lending. Approximately 60% of IW financing is targeted for SMEs and 40% for large enterprises. As mentioned in previous reports there has been a large volume of loan applications from large companies, and relatively few from SMEs. This trend is also reflected in the disbursements to business entities – as of the end of 1Q2023, 75% of the amount allocated for large businesses had been disbursed, whereas only 3% of the SME allocation had been disbursed. The total amount in loans applied for by large businesses exceeds the allocation, however, disbursements to business entities have not yet exceeded the allocation. BRD will discontinue disbursements to large companies once the allocation amount for large businesses has been reached. BRD has been continuing its awareness raising activities amongst SMEs. BRD has also hired a firm to build capacity amongst SMEs to better position them to be eligible for IW loans and increase their uptake.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Working capital	The physical progress of	As of March 31, 2023, BRD had	There are no procurement

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.

and investment credit line	this component is reasonably good. The key area to track and improve will be the uptake of IW loans by SMEs.	received and approved 88 on-lending applications from 9 PFIs and 11 direct financing applications. Following the suggestions and guidance provided by the WB and AIIB during the sample ES due diligence review, BRD continues to support the review and development of site specific ESIA's of its sub-borrowers to meet the WB ESS requirements. BRD also conducted supervision monitoring for 5 projects in Q1 2023 and rated the compliance level with E&S requirements in all sites as satisfactory.	activities under this component
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Financial Management:

The Financial Management (FM) arrangements for BRD continue to be satisfactory. The FM capacity at BRD is adequate, and a financial management specialist and an accountant have been working since the start of the Project. The overall disbursement amount is Euro 58,994,807 as of 1Q2023. Detailed FM guidance was developed and documented in the Project Implementation Manual (PIM) and was further updated during 2022. The funds flow, in USD/JPY from the WB and in Euro from AIIB, into three segregated designated accounts (DA) held at the Central Bank of Rwanda (BNR). The Project uses the interim financial report (IFR) based method of disbursement. The Project also maintains one pooled RWF Project Bank Account at the Bank of Kigali into which all funds from the three DA are transferred. The IFRs are prepared following the modified cash basis of accounting and are based on the IFR Reporting template provided by the WB. The Project IFRs are prepared and submitted through the WB's client connection system before the deadline, which is 45 days after the end of the quarter. All submitted IFRs were approved by the WB (1Q23 is still under review at the WB). The AIIB Project team has requested the WB team to share the last three quarterly reports (3Q22, 4Q22 and 1Q23), which AIIB has not yet received. BRD has an internal audit unit of four staff, and the unit conducts an annual review of project activities. The internal audit report for FY2022 will be submitted to BRD's management, the project management team, and the WB during June's implementation support mission. The WB provided a waiver for the audit of activities carried out by BRD in FY2021. AIIB has followed the same approach and did not request the project audit for FY2021, as there were no disbursements in FY2021. These activities shall be audited as part of the period ending December 31, 2022. The audit report will be accompanied by the management letter and submitted to the WB and AIIB by June 30, 2023.

6. Status of the Grievance Redress Mechanism (GRM)

The recipient through MINECOFIN requires all implementing agencies to ensure that GRM procedures are developed and adopted. BRD already has an existing institutional GRM in place and the GRM is functional. As of March 31, 2023, nine grievances have been received and recorded, six of the nine have been temporarily solved and three are pending for further verification. The Project team has requested more detailed information on the nature of the grievances and will provide updates in the next PIMR.

As indicated in the PIM, GRMs shall also be set up at sub-project and PFI levels and communicated to workers and affected people by BRD and its sub-borrowers. BRD has proposed a GRC structure for PFIs and direct borrowers and has hired a GRM specialist. During the first quarter of 2023, the implementation of the GRM focused on the follow up of collected grievances as well as continued facilitation of the creation of GRCs at PFIs level. As of March 31, 2023, consultation with all 9 PFIs on Grievances management procedures had been conducted, and PFIs have

started the nomination of the members of the GRC. E&S training, including GRM, has also increased the awareness of environmental and social aspects although the uptake by PFIs at operational level has been slow.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

The rate of disbursement from BRD and PFIs to business entities has improved since the previous PIMR. This can be attributed to the completion of ES due diligence review and approval of the sample of PFIs, by WB, as well as improvements in the ES due diligence performed by BRD, which has required less intervention and follow up by WB/AIIB, and thus reduced the time to disbursement. Currently, the main challenge facing BRD is the low number of SMEs applying for IW loans.

Remarks:

None.

Project Objectives Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments
			Baseline		2021		2022		2023		2024		2025		End Target					
			Year	Value	Target	Actual	Year	Target	Actual											
Businesses Receiving sub-loans under Sub-component 1c	Project	number	2021	0	0		60	21	119	35	209		268		2026	300		quarterly	BRD	
Volume of loans provided under sub-component 1c	Project	million USD	2021	0	0		20	27.5	40	32	70		80		2026	100		quarterly	BRD	

Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments
			Baseline		2021		2022		2023		2024		2025		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
Non-Performing Loans in the BRD sub-loan portfolio	Project	percent	2021	4.5	4.5		5	loans not yet due	5	loans not yet due	5		5		2026	5		quarterly	BRD	
Funds disbursed to priority (AIIB Group 1) sectors under sub-c	Project	percent	2021	0	0		60	not available	60	100	60		60		2026	60		quarterly	BRD	
Women Inclusive firms receiving sub-loans	Project	percent	2021	18	18		35	not available	35	19	35		35		2026	35		quarterly	BRD	
Average tenor for investment loans under sub-component 1c	Project	years	2021	8	8		10	6	10	7.5	10		10		2026	10		quarterly	BRD	