

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

### 1. Project Information

Project ID:	P000415	Instrument ID:	L0415A
Member:	Bangladesh	Region:	Southern Asia
Sector:	CRF-Finance/Liquidity	Sub-sector:	N/A
Instrument type:	<input checked="" type="checkbox"/> Loan:300.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	
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:	Goktug Ersoy, Team Member; Christopher Damandl, Project Counsel; Chitambala Sikazwe, OSD - Procurement Specialist; Shonell Robinson, OSD - Financial Management Specialist; Victoriano Macasaquit, OSD - Environment & Social Development Specialist; Yu Pan, Project admin		
Completed Site Visits by AIIB:	None		
Planned Site Visits by AIIB:			
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2023/04		

### 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 has 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 has authorized Project Implementation Unit (PIU) housed in Bangladesh Bank (BB, central bank of Bangladesh) for on lending the loan proceeds. PIU has extended loans to participating FIs (PFIs) as refinance against the loans disbursed to Cottage, Micro, Small & Medium Enterprises (CMSMEs). PIU has selected PFIs and PFIs in turn have selected 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:		Cancellation (if any):	0.00
Disbursed:	300.00	Latest disbursement (amount/date):	156.00/Feb. 06, 2023
Undisbursed:	0.00	Disbursement Ratio (%) <sup>1</sup> :	100.00

**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 is being implemented by Bangladesh Bank (The Central Bank of Bangladesh) (BB). BB has extended 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 are 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 is also 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, third disbursement of USD 63 million on October 13, 2022 and fourth (final) disbursement of USD 156 million on February 06, 2023. Hence the facility is now fully disbursed.

AIIB project team has approved 32 PFIs till date. As on September 30, 2023, the total amount refinanced by BB stood at BDT 24.47 billion (equivalent to USD 222.03 million converted at current USD/BDT rate of 110.22). As per request of Bangladesh Bank, AIIB has approved the following two changes in the project terms.

1. Availability period has been extended till Closing Date (February 29, 2024)
2. Refinance of Term Loans to Cottage, Micro and Small (CMS) enterprises have been added as acceptable end use of AIIB loan

One red flag is being retained as the first audit report of the project due on March 31, 2023 is still pending. Project Team is following up with Bangladesh Bank for this report. The Bank issued a notification letter to the PIU on September 27, 2023, highlighting the need to prioritize the submission of the audit report due to its long overdue status. Since then, the project has informed the Bank, that FAPAD started the audit which will be completed by November 27, 2023.

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

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 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, third disbursement of USD 63 million on October 13, 2022, and fourth disbursement of USD 156 million on February 6, 2023. AIIB project team has approved 32 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. The ESRM has been updated and was approved by BB in June 2022. The Bank has reviewed and confirmed the updated ESRM will be applicable to this Project. The OM has been updated to include the updated ESRM. In addition, the format of quarterly ES Risk Management Reporting has been updated. Annual ES Monitoring Report 2022 was submitted to AIIB.	The project will be refinancing the working capital loans provided by PFIs to CMSMEs. Short-term working capital facilities and trade finance facilities are not expected to be used to finance any CAPEX 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 Procurement Policy applicable to Private Entities would apply, and the beneficiary will procure the items following its standard commercial practices for such items.

#### Financial Management:

The FM arrangement under the project appears to be adequately functioning. The last interim unaudited financial report (IUFR) for the period ending June 30, 2023, which became due on August 14, 2022, was submitted on August 17, 2023, after due date. The quality of the report was however deemed to be satisfactory by the Bank. The project loan of USD 300 million was fully disbursed by February 6, 2023. The project has incurred expenditures of USD 219.25 million as per unaudited interim financial report for the period ending June 30, 2023, of which USD 141.28 million has already been documented up to February 6, 2023. The project needs to submit a withdrawal application of for remaining expenditures of USD 77.97 million already paid up to June 30, 2023. 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, which became due on March 31, 2023. The Bank issued a notification letter to the PIU on September 27, 2023, highlighting the need to prioritize the submission of the audit report due to its long overdue status. Since then, the project has informed the Bank, that FAPAD started the audit which will be completed by November 27, 2023. The audit report for the period ending June 30, 2022, is expected to be submitted to the Bank by December 31, 2023.

#### 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.

The focal point of the project GRM is:

Mr Kumar Fagun Mallick, Joint Director & Project Manager

Mob: +88-01717528863

Email: fagun.mallick@bb.org.bd.

---

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

**Remarks:**

---

Project Indicators	Objective	Indicator level	Unit Measure	Cumulative Target Values												Frequency	Responsibility	Comments	
				Baseline		2021		2022		2023		2024		End Target					
				Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual
Percentage of nonperforming loans in the PFIs' portfolio refinanced through AIIB facility	Project	%	2021	0%	0%		<=5%	1.35%	<=5%	0.26%	<=5%		2024	<=5%		Annually	PIU, Bangladesh Bank	Data as on 30 September of each year	
Number of eligible sub-borrowers receiving financing	Project	Number	2021	0	0		1500	3,995	2800	20,765	4000		2024	4000		Annually	PIU, Bangladesh Bank	Data as on 30 September of each year	
Percentage of loan value in cottage, micro and small enterprises	Project	%	2021	0%	0%		>=70%	79.22%	>=70%	86.47%	>=70%		2024	>=70%		Annually	PIU, Bangladesh Bank	Data as on 30 September of each year	
Percentage of loan value in medium enterprises	Project	%	2021	0%	0%		<=30%	20.78%	<=30%	13.53%	<=30%		2024	<=30%		Annually	PIU, Bangladesh Bank	Data as on 30 September of each year	

Project Intermediate Indicators	Indicator level	Unit Measure	Cumulative Target Values												Frequency	Responsibility	Comments	
			Baseline		2021		2022		2023		2024		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual
Number of sub-borrowers with women owners or with one or more women in executive positions	Project	Number	2021	0	0		400	432	720	1,148	1040		2024	1040		Annually	PIU, Bangladesh Bank	Data as on 30 September of each year
Number of PFIs	Project	Number	2021	0	0		30	26	30	32	30		2024	30		Annually	PIU, Bangladesh Bank	Data as on 30 September of each year
Number of jobs created/retained by sub-borrowers (disaggregated by gender)	Project	Number	2021	0	0		Male-10000; Female-2000	M-76,778 F-17,431	Male-20000; Female-4000	M-243,363; F-49,090	Male-30000; Female-6000		2024	Male-30000; Female-6000		Annually	PIU, Bangladesh Bank	Data as on 30 September of each year