

SBF Project Completion Note

Uzbekistan: National Bank of Uzbekistan COVID-19 Credit Line Project

1. Project Information

| | | | |
|-------------------------|---|----------------|--------------|
| Project ID: | P000420 | Instrument ID: | L0420A |
| Member: | Uzbekistan | Region: | Central Asia |
| Sector: | CRF-Finance/Liquidity | Sub-sector: | N/A |
| Instrument type: | Loan | E&S category: | FI |
| Co-financier(s): | | | |
| Borrower: | National Bank of the Republic of Uzbekistan for Foreign Economic Activity' Joint Stock Company | | |
| Guarantor: | Ministry of Economy and Finance, Uzbekistan | | |
| Implementing Agency: | National Bank of the Republic of Uzbekistan for Foreign Economic Activity' Joint Stock Company | | |
| Project Team Leader(s): | Hyun Sang Shin, PTL | | |
| Project Team Members: | Anatole Douaud, Back-up PTL Qianna Ma , Team Member Goktug Ersoy , Team Member Christopher Damandl , Project Counsel Liu Yang , Alternate Counsel Yogesh Malla , OSD - Financial Management Specialist Chitambala Sikazwe , OSD - Procurement Specialist Sabah Iqbal , OSD - Environment & Social Development Specialist | | |
| Site Visits by AIIB: | | | |

2. Project Summary and Objectives

The Project was financed under the COVID-19 Crisis Recovery Facility by a medium-term sovereign-backed credit line to the National Bank of Uzbekistan (NBU), and intended to support a portfolio of small and medium enterprises (SMEs) operating in infrastructure and other productive sectors (OPS) in overcoming liquidity constraints and/or working capital shortages brought on by the COVID-19 pandemic. With such support, the aim was that SMEs could overcome liquidity constraints and maintain operations and investments in infrastructure and other productive sectors that might have been curtailed, delayed or suspended in the absence of AIIB financing.

Project objective:

To alleviate working capital shortages and liquidity constraints brought on by the pandemic to SMEs

operating in the private infrastructure and OPS.

3. Key Dates

| | | | |
|----------------|------------------|------------------------|------------------|
| Approval: | November 25,2020 | Signing: | December 30,2021 |
| Effective: | March 30,2022 | Restructured (if any): | |
| Orig. Closing: | November 30,2022 | Rev. Closing (if any): | December 31,2023 |

4. Disbursement Summary (US Dollar million)

| | | | |
|--------------------------|--------|--|-----------------------|
| a) Committed: | 200.00 | b) Cancelled (if any): | 0.00 |
| c) Disbursed: | 10.96 | d) Last disbursement: (amount /date) | 10.96 / April 21,2022 |
| e) Undisbursed (if any): | 189.04 | f) Disbursement Ratio (%) ¹ : | 5.48 |

5. Estimated and Actual Costs

N/A. This was a CRF on-lending facility. No individual or external consultant were used. The due diligence was conducted virtually during COVID times.

6. Project Implementation, including major changes to the original Objective, Project Design, and Indicators

The Loan was declared effective on March 30, 2022.

First disbursement was processed on April 21, 2022.

The Front-end fee of US\$ 0.500mn has been paid by NBU on May 4th, 2022.

The borrower could not submit eligible subprojects as defined in the Operational Manual.

In June 2023, the Project' ES specialist conducted satisfactory site visits of the first and only disbursement's financed subprojects. The site visit confirmed that the financed subprojects were satisfactory and fulfilled all of NBU's requirements under this facility. It also confirmed the lack of additional eligible subprojects with NBU and the need to cancel the facility.

On July 5, 2023, the Borrower requested to prepay the disbursed loan amount in full and cancel the undisbursed loan amount due to the lack of eligible subprojects to be financed.

¹ 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., $f = c / (a - b)$

The obligations have been fully repaid, and the loan has been closed as of August 18, 2023. There are no other loans nor components of this Project outstanding.

| Components | Physical Progress* | Environmental & Social Compliance | Procurement |
|-------------------------------|---|---|--|
| Direct lending to NBU clients | One disbursement (US\$ 10.96mn) has been made through advance method. | Direct lending to NBU clients One disbursement (US\$ 10.96mn) has been made through advance method. The borrower submitted all the reports linked to this disbursement. | All the procurement related reports were duly received as per the POM. |

Financial Management:

7. Implementation of Environmental and Social Policy and project specific E&S instruments, including the project level Grievance Redress Mechanism (GRM)

No Grievances have been received.

The Project's ES specialist conducted site visits of financed subprojects which were satisfactory. All ES related reporting has been received on the financed subprojects.

8. Results Achieved (Against the original indicators and/or revised indicators. RMF table will be exported on the last page of this PCN.)

Below is the approved result monitoring framework with projected result figures.

Given the loan was canceled prior to receiving the first set of intermediary results, the Project's targets were not achieved.

9. Investment Sustainability (operational, financial/commercial, institutional)

The Project as originally conceived was sustainable, however, the conditions linked to the COVID epidemic changed resulting in the lack of available eligible subprojects.

10. Compliance and Alignment with AIIB's Policies and Strategic Priorities

The Project fully complied with AIIB's policies and strategic priorities.

11. Any outstanding issues not yet resolved, if applicable

N/A

12. Lessons learned that can be considered for future investments

| Lesson Tag | Lesson Description |
|------------|---|
| Other | Reduce the timeframe for signing post-Board approval for emergency facilities. Currently it is 18 months for SBF, which in NBU's case enabled the Project to drag for more than 12 months after Board approval. This resulted in the lack of eligible subproject as the COVID situation and emergency financing were not required anymore. |

13. Borrower's Feedback

The Borrower's feedback is positive despite the early cancellation of the facility, highlighting the reactivity of the Project Team, despite some inflexibilities linked to changes in the Project documentation, and suggested to reduce the reporting requirements.

14. Achievement of Project Results

Given the low disbursement of the Project (5%), the Project Results were not achieved.

Annex: Client Feedback on the Project

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1. Are the services and support provided by the Project Team professional, sufficient and in time, during project preparation and project implementation? [please provide some specifics or examples as an illustration.]

Yes, we confirm that the services and support provided by AIIB's Project Team have been professional, sufficient and in time both during project preparation and implementation. As an example we can mention our cooperation with your good bank while preparing the loan documentation, including project Operation Manual and ESMS. Your Legals and E&S specialist explained us in details the requirements of AIIB for procurement, selection of the projects, the aspects that should be clearly stated and examined prior to financing and during the monitoring process.

1. Is it convenient to access to the Project Team's services and support? [please provide some specifics or examples as an illustration.]

The access to the Project Team's services and support was convenient. Team members were available all the time, open to discuss the issues and ready to answer the questions regarding the Project.

1. Does the Project Team demonstrate flexibility and efficiency during project preparation and project implementation? [please provide some specifics or examples as an illustration.]

The Project Team demonstrated efficiency during project preparation and project implementation, but in places where we needed their flexibility, they were strict to follow internal regulations and policies.

1. What is the value addition of AIIB's financing in the Project?

According to the data we have, AIIB provided financing up to 85 per cent of the contracts' amount under each sub-project.

1. Will you consider working with the AIIB again in infrastructure development? Please provide a few specific reasons.

Yes, we consider working with the AIIB in financing the infrastructure projects, but without providing any sovereign guarantees. We refer to the experience and participation of your good bank in the implementation of large-scale projects in Uzbekistan as well as in other countries.

1. Do you have any suggestion to the Project Team and/or the AIIB?

To be patient with our Team, and sometimes flexible to our suggestions, including to making changes in project documentation from time to time.

1. Other comments (such as comments on the reporting requirements, approval of project changes, etc.)

We propose to minimize the reports in project implementation or change the requirement to the reports depending on the type of sub-project, their sector and

structure of financing.

Project Completion Note

Prepared on 11/08/23

| Project Objective Indicators | Indicator level | Unit of Measure | Cumulative Target Values | | | | | | | | | | | | | | | Frequency | Responsibility | Comments |
|--|-----------------|-----------------|--------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------------|--------|--------|-----------|----------------|----------|
| | | | Baseline | | 2022 | | 2023 | | 2024 | | 2025 | | 2026 | | End Target | | | | | |
| | | | Year | Value | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Year | Target | Actual | | | |
| Amount of Financing | Project | USD | 2022 | 0 | 0 | | 100 | | 150 | | 200 | | 200 | | | 200 | | Annual | NBU | |
| Utilization rate of the components | Project | % | 2022 | 0 | 0 | | 47 | | 95 | | 100 | | 100 | | | 100 | | Annual | NBU | |
| Number of Sub-borrowers (Direct Lending) | Project | # | 2022 | 0 | 0 | | 25 | | 50 | | 75 | | 75 | | | 75 | | Annual | NBU | |
| Percentage of nonperforming loans in the SME portfolio | Project | % | 2022 | 0 | 0 | | <10 | | <10 | | <10 | | <10 | | | <10 | | Annual | NBU | |
| Percentage of loan value in Group 1 and 2 sectors | Project | % | 2022 | 0 | 0 | | 50 | | 75 | | 100 | | 100 | | | 100 | | Annual | NBU | |

| Project Intermediate Indicators | Indicator level | Unit of Measure | Cumulative Target Values | | | | | | | | | | | | | | | Frequency | Responsibility | Comments |
|--|-----------------|-----------------|--------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------------|--------|--------|-----------|----------------|----------|
| | | | Baseline | | 2022 | | 2023 | | 2024 | | 2025 | | 2026 | | End Target | | | | | |
| | | | Year | Value | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Year | Target | Actual | | | |
| Number of jobs created/retained by sub-borrowers | Project | # | 2022 | 0 | 0 | | 25 | | 50 | | 50 | | 50 | | | 50 | | Annual | NBU | |



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|--|---------|---|------|---|---|--|---|--|----|--|----|--|----|--|--|----|--|--------|-----|--|
| (disaggregated by gender) | | | | | | | | | | | | | | | | | | | | |
| Percentage of sub-borrowers with women owners or with one or more women in executive positions | Project | % | 2022 | 0 | 0 | | 5 | | 10 | | 15 | | 15 | | | 15 | | Annual | NBU | |