

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; Victoriano Macasaquit, OSD- Social Development Specialist		
Completed Site Visits by AIIB:	None		
Planned Site Visits by AIIB:			
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2023 Q4		

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:	0.00	Cancellation (if any):	0.00
Disbursed:	300.00	Most recent disbursement: (amount /date)	156.00/February 06, 2023
Undisbursed:	0.00	Disbursement Ratio (%) ¹ :	100%

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 ('BB', the Central Bank of Bangladesh).

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 have been 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 housed within 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.

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

AIIB project team has approved 32 PFIs till date. As on February 29,2024, the total amount refinanced by BB stood at BDT 29.89 billion (equivalent to USD 300.003 million converted at exchange rates of transfer from designated bank account to project operating account).

As per request of Bangladesh Bank, AIIB has approved the following two changes in the project terms.

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

The audit report issued on December 27, 2023 for the period covering May 27, 2021, to June 30, 2023 was submitted to the Bank on January 3, 2024. In the last PIMR dated November 2023, the Project was assigned one red flag due to delay in submission of project audit report. Since the report has now been submitted, the red flag is being removed in this PIMR.

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, 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 2023 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,

			<p>and the beneficiary will procure the items following its standard commercial practices for such items</p>
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Financial Management: The FM arrangement under the project appears to be adequately functioning.

The final IUFR for the period ending February 29, 2024, which became due on April 14, 2024, was submitted along with SOE 09 on May 9, 2024, after due date. Due to error noted on the Designated Account Reconciliation Statement, the PIU was requested to revise the statement, which is pending.

The total project loan of USD 300 million was fully disbursed and expensed. There is however USD 158.72 of expenses that need to be filed with CTL through a withdrawal application, prior to the disbursement deadline date of June 30, 2024.

The project audit report for the period ended June 30, 2023, was submitted to the Bank on January 3, 2024. There are some irregularities noted in the management letter issued by the Auditors relating to Tk 7,500,000 provided to AB Enterprise based on proposal for business other than licensed business under working capital package; Tk 10,000,000 provided to MS Fakir Textile through fraud proposal without proper documents under working capital package; request of excess amount of Tk129,000,000 through withdrawal application than approved budget and loss of government money amounting to Tk 1,043,121,300 due to failure to utilize the loan money received from AIIB on due time. These matters are being followed-up with the PIU to be clarified prior to disbursement deadline date.

The final project audit report covering the period up to the closing and or the disbursement deadline date, becomes due to the Bank on November 30, 2024.

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.

The Hotline for customer's complaint:
 Dial 16236 Fax: 88-02-9530464
 Email: bb.cipc@bb.org.bd

7. Results Monitoring

Project results data have been provided below, updated till 31 March 2024.

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%	1.35%	As on 30 September 2022
Nov 06, 2023	<=5%	0.26%	As on 30 September 2023
Nov 06, 2024	<=5%		1.37% (as on 31 March 2024)

Project Objective Indicators #2

Number of eligible sub-borrowers receiving financing

Target date	Target	Actual	Remarks
Nov 06, 2022	1500	3,995	As on 30 September 2022
Nov 06, 2023	2800	20,765	As on 30 September 2023
Nov 06, 2024	4000		24,937 (as on 31 March 2024)

Project Objective Indicators #3

Percentage of loan value in cottage, micro and small enterprises

Target date	Target	Actual	Remarks
Nov 06, 2022	>=70%	79.22%	As on 30 September 2022
Nov 06, 2023	>=70%	86.47%	As on 30 September 2023
Nov 06, 2024	>=70%		85.11% (as on 31 March 2024)

Project Objective Indicators #4

Percentage of loan value in medium enterprises

Target date	Target	Actual	Remarks
Nov 06, 2022	<=30%	20.78%	As on 30 September 2022
Nov 06, 2023	<=30%	13.53%	As on 30 September 2023
Nov 06, 2024	<=30%		14.89% (as on 31 March 2024)

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	432	As on 30 September 2022
Nov 06, 2023	720	1,148	As on 30 September 2023
Nov 06, 2024	1040		1,308 (as on 31 March 2024)

Intermediate Result Indicators #2

Number of PFIs

Target date	Target	Actual	Remarks
Nov 06, 2022	30	26	As on 30 September 2022
Nov 06, 2023	30	32	As on 30 September 2023
Nov 06, 2024	30		32 (as on 31 March 2024)

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- 76,778 F- 17,431	As on 30 September 2022
Nov 06, 2023	M-20000 F-4000	M- 243,363 F- 49,090	As on 30 September 2023
Nov 06, 2024	M-30000 F-6000		M- 303,644 F- 59,806 (as on 31 March 2024)