

## Project Implementation Monitoring Report (#7)

Reporting Period From 2024/06 To 2024/11

## 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:	PMD		
Project Team Members:	Goktug Ersoy, Team Member; Christopher Damandl, Project Counsel; Chitambala Sikazwe, SFD - Procurement Specialist; Shonell Robinson, SFD - Financial Management Specialist; Victoriano Macasaquit, SFD - Environment Specialist; Rupal Ganesh Kulkarni, SFD - Social Development Specialist; Yu Pan, Project admin		
Completed Site Visits by AIIB:	None Nov, 2024 Meetings with Bangladesh Bank, PFIs (BRAC Bank, IPDC) and end borrowers. Attended by Suyez Pinto, Sanchalak Basu, Rupal Kulkarni and Pradeep Shreshtha		
Planned Site Visits by AIIB:			
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2024/05		

## 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 of the project was 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

## Project Implementation Monitoring Report (#7)

Reporting Period From 2024/06 To 2024/11

PFIs and PFI 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 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 (final) disbursement of USD 156 million on February 06, 2023. Hence the facility is now fully disbursed. AIIB funds have been fully on lent to PFIs and relevant utilization certificates provided. Project team and CTL have issued the project closing letter to Bangladesh Bank. AIIB project team has approved 32 PFIs till date. As on September 30, 2024, the total amount refinanced by BB stood at BDT 29.89 billion (equivalent to USD 300 million). Out of USD 300 million provided to PFIs as refinancing, ~USD 250 million has been repaid by PFIs and the repaid amounts have been deposited in Govt of Bangladesh account by Bangladesh Bank. 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

<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.

## Project Implementation Monitoring Report (#7)

Reporting Period From 2024/06 To 2024/11

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 for 2022 and 2023 were 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:**

**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, 2024 was submitted to the bank in a timely manner. The IUFR was correct except mistakes in amount documented and present outstanding amount advanced to the designated account which were corrected and revised Designated Account Reconciliation Statement was submitted on August 28, 2024. The project loan of USD 300 million was fully disbursed by February 6, 2023. As of the interim unaudited financial report for the period ending June 30, 2024, the project has incurred expenditures totaling USD 300 million, which have been fully documented as of September 12, 2024. The audit report for the period which ended June 30, 2023, was submitted to the Bank on January 3, 2024, after the due date. The auditors issued an unqualified (clean) opinion on the financial statements, and the report is considered acceptable by the Bank. It was noted that the financial statements are denominated in Taka. Since the designated account of the project is in USD, the PIU was advised that the statements should be presented in dual currency to facilitate proper reconciliation between the project's records and those of the Bank. Additionally, the auditors identified internal control deficiencies related to the following which needs to be resolved in the audit of FY 2023-24:

- A payment of Tk 7,500,000 to AB Enterprise for a business proposal unrelated to the licensed activities under the working capital package during the COVID-19 pandemic, processed by BRAC Bank.
- A payment of Tk 10,000,000 to MS Fakir Textile through a fraudulent proposal, lacking proper documentation, under the working capital package during the COVID-19 pandemic, also processed by BRAC Bank.
- A loss of government funds amounting to Tk 1,043,121,300 due to the failure to utilize the AIIB loan funds within the specified time.

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

A Project-level Grievance Redress Mechanism have been established at the Project Implementing Unit (PIU) and

**Project Implementation Monitoring Report (#7)**

Reporting Period From 2024/06 To 2024/11

---

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.

Email: bb.cipc@bb.org.bd

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)**

Project results data have been provided below.

**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%	3.62%	2024	<=5%		Annually	PIU, Bangladesh Bank	Actuals 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	24,912	2024	4000		Annually	PIU, Bangladesh Bank	Actuals 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%	85.11%	2024	>=70%		Annually	PIU, Bangladesh Bank	Actuals 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%	14.89%	2024	<=30%		Annually	PIU, Bangladesh Bank	Actuals 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	1,213	2024	1040		Annually	PIU, Bangladesh Bank	1,308 (as on 31 March 2024)
Number of PFIs	Project	Number	2021	0	0		30	26	30	32	30	32	2024	30		Annually	PIU, Bangladesh Bank	32 (as on 31 March 2024)
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	M-303,644; F-59,806	2024	Male-30000; Female-6000		Annually	PIU, Bangladesh Bank	M-F-303,644 59,806 (as on 31 March 2024)