

## Project Implementation Monitoring Report (#6)

Reporting Period From 2024/01 To 2024/06

## 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:	Rajat Misra		
Responsible Department:	PSC1		
Project Team Members:	Christopher Damandl, Project Counsel; Shodi Nazarov, SFD - Financial Management Specialist; Yang Shuai, SFD - Environment & Social Development Specialist; Guoping Yu, SFD - Procurement Specialist; Furu Hu, Project admin		
Completed Site Visits by AIIB:	Jun, 2022 In-person participation to World Bank (WB)-AIIB joint Implementation Support Mission during 27-30 June, 2022 Jun, 2023 In-person participation to WB-AIIB joint Implementation Support Mission during 18-23 June, 2023 May, 2024 In-person participation to WB-AIIB joint Implementation Support Mission during 13-17 May 2024		
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:	2023/12		

## 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

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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:	83.30	Latest disbursement (amount/date):	24.31/Jun. 12, 2024
Undisbursed:	0.00	Disbursement Ratio (%) <sup>1</sup> :	100.00

**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. The total amount of financing (WB and AIIB combined) for the IW is 150 MUSD-equivalent or roughly 125 MEUR at the time of AIIB loan approval. At least 65% of the IW is envisaged to be channeled through on-lending, and 35% through direct lending. As of the end of 2Q2024, roughly 86% of funds disbursed by BRD under the IW were through on-lending and the remainder through direct lending from BRD. The overall amount disbursed by BRD for on-lending under the IW is RWF 101.9 billion, of which RWF 78.6 billion (77%) has been disbursed to end-borrowers. As of the end of 2Q2024, the implementing entity, BRD, had received and approved a pipeline comprising 131 applications for IW loans: 114 through on-lending channels and 17 via direct lending. The total number of loans to end-beneficiaries to-date under the IW is 165: 153 beneficiaries through on-lending and 12 via direct lending channels. The total amount of project funds in BRD-approved loan applications (i.e. loan applications assessed as meeting the IW criteria) as of 2Q2024 is 139.3 billion RWF (approximately 99.3 MEUR, based on an approximate average exchange rate of 1EUR = 1403 RWF year-to-date), of which 120.4 billion RWF (85.8 MEUR) originated through on-lending institutions and 18.9 billion (13.5 MEUR) via

<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.

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direct lending. Approximately 60% of IW financing is targeted for SMEs and 40% for large enterprises. As mentioned in previous reports, thus far loan application volume from large companies significantly outweighs that from SMEs. This is also reflected in the disbursements to business entities – as of the end of 2Q2024, over 100% of the amount (in RWF) allocated for large businesses had been disbursed, whereas 17% of the amount allocated for SMEs - the SME disbursement rate is however a markable improvement on the 6% disbursement rate observed at end of 2023 and 3% for the previous semester. It should be noted that up to end-2023, BRD had been using an allocation cap for disbursements to large enterprises based on the original USD loan amounts (40% or 60 MUSD to be allocated to large enterprises and 60% or 90 MUSD to SMEs), however, the actual loans were denominated in euros for AIIB and JPY for WB, and the current overall USD-equivalent amount of these loans has decreased due to the strengthening of the USD - the original USD caps would therefore not be representative. Based on this realization by AIIB, during the last mission AIIB requested that BRD instead reflect in the project reporting, the RWF-equivalents for: the loan allocation, the respective caps for SME and large businesses, and the disbursement amounts, since RWF is the actual currency of disbursement by BRD. When represented in RWF, it is noted that the amount in RWF disbursed to large companies significantly exceeds the would-be 40% allocation of the overall RWF funding enveloped for the IW, even though it remains within the original 60MUSD allocation that was based on the original USD amounts. As was the case for the last reporting period, BRD has discontinued disbursements to large companies.

The last and final disbursement from AIIB to BRD was made in June 2024 - based on the pipeline and projected demand for funds submitted by BRD and approved by WB and AIIB. The AIIB loan to BRD is therefore fully disbursed - the funds are expected to be progressively disbursed to PFIs and sub-borrowers in line with the approvals already made by BRD and anticipated future uptake from SMEs which has been increasing significantly over the last 6 months, and which is expected to continue with the ongoing capacity building and awareness raising by BRD amongst SMEs. BRD has been continuing awareness raising amongst SMEs and has hired a firm to build their capacity to better position them to be eligible for IW loans and increase their uptake. In addition, under component 3 of the project, Institutional Strengthening, and Implementation Support, BRD hired a consultancy firm to carry out an assessment on the low uptake of IW funds by SMEs. The consultancy is ongoing.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Working capital and investment credit line	The physical progress of this component continues to be reasonably good. The key area to track and improve will be the uptake of IW loans by SMEs.	Following the suggestions and guidance provided by the WB and AIIB during the sample ES due diligence review and joint implementation support mission in May 2024, BRD continues to support the review and development of site specific ESAs of its sub-borrowers to meet the	There are no procurement activities under this component

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		WB's ESS requirements. BRD conducted supervision monitoring for 5 direct lending projects in Q1 2024 and 3 projects in Q2 2024, no instances of non-compliance have been recorded.	
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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 are in place. Both FM staff have been regularly attending FM-related training. The latest training attended was the Advanced FM course in 2Q2024. Detailed FM guidance was developed and documented in the Project Implementation Manual (PIM). 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) 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 DAs 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, 45 days after the end of the quarter. All submitted IFRs were approved by the WB and shared with AIIB, except the 2Q2024 IFR, which is still under the WB's review process. The audit reports for FY2022 and FY2023 have been submitted on time and found acceptable to the Bank. Ernst & Young Rwanda Limited conducted the audits following International Standards on Auditing (ISAs). The Auditor expressed unqualified audit opinions on the project's financial statements for FY2022 and FY2023. Both management letters issued by the auditor highlight no issues.

**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 had an existing institutional GRM in place and the GRM is functional. During the reporting period, 12 grievances were received in relation to 3 sub-projects and all have been resolved. 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. Following the continued efforts starting from the first quarter of 2023, the implementation of the GRM continues to focus on the follow up of collected grievances, and progression on continued facilitation of the creation of GRCs at PFI level.

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

There are two main considerations with respect to the results of the IW implementation: 1) Since the approval date of the loan, there has been significant strengthening of the USD versus the EUR. As a result, the approved AIIB euro loan amount is now equivalent to less than the initial 100 MUSD allocation to the project. As a result, the targets for volume of loans under sub-component 1c - which are in USD and based on the original USD allocation to the component - are not expected to be achievable as the envelope of money available under 1c is now less than the

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original USD-based allocation; 2) although there have been, and are ongoing, efforts to improve the uptake of the IW by SMEs, there is expected to be some lag time between the implementation of remedial actions for SME IW uptake and the reflection of the impact in the results. AIIB will continue to monitor both the pace and intensity of implementation of remedial actions to improve SME loan uptake and the translation of impacts at the results level. As the AIIB loan has been fully disbursed, the monitoring on the project going forward will focus closely on the uptake of the remaining funds by those SMEs which have already been approved for financing under the IW, and by new SMEs already in the pipeline and targeted for pipeline inclusion.

**Remarks:**

None.

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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	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
Businesses Receiving sub-loans under Sub-component 1c	Project	number	2021	0	N/A	0	60	21	119	92	209	165	268		2026	300		quarterly	BRD	
Volume of loans provided under sub-component 1c	Project	million USD	2021	0	N/A	0	20	20.6	40	44.28	70	46.9	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	N/A	4.5	5	loans not yet due	5	loans not yet due	5	0.3	5		2026	5		quarterly	BRD	
Funds disbursed to priority (AIIB Group 1) sectors under sub-c	Project	percent	2021	0	N/A	0	60	not available	60	100	60	100	60		2026	60		quarterly	BRD	
Women Inclusive firms receiving sub-loans	Project	percent	2021	18	N/A	18	35	not available	35	46	35	48	35		2026	35		quarterly	BRD	
Average tenor for investment loans under sub-component 1c	Project	years	2021	8	N/A	8	10	6	10	8.7	10	6.2	10		2026	10		quarterly	BRD	

Program Objective Indicators Title

Intermediate Result Indicators mpp