



Belarus MSME Access to Finance Project (P152276)

EUROPE AND CENTRAL ASIA | Belarus | Finance, Competitiveness and Innovation Global Practice | IBRD/IDA | Investment Project Financing | FY 2018 | Seq No: 8 | ARCHIVED on 25-Feb-2021 | ISR45453 |

Implementing Agencies: Development Bank of the Republic of Belarus, MoF's IT Center, Development Bank of the Republic of Belarus

Key Dates

Key Project Dates

Bank Approval Date: 28-Sep-2017

Effectiveness Date: 19-Apr-2018

Planned Mid Term Review Date: 31-Aug-2020

Actual Mid-Term Review Date: 24-Jul-2020

Original Closing Date: 31-Dec-2022

Revised Closing Date: 31-Dec-2022

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The Project Development Objective (PDO) is to improve access to finance for private MSMEs and enhance governance and the institutional capacity of the Development Bank of the Republic of Belarus.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components Table

Name

Component I: Line of Credit to MSMEs:(Cost \$56.20 M)

Component II: Institutional Strengthening of DBRB:(Cost \$3.25 M)

Component III: Project Management and Implementation:(Cost \$0.55 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Satisfactory
Overall Implementation Progress (IP)	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Satisfactory
Overall Risk Rating	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate

Implementation Status and Key Decisions

The Project continues to be rated satisfactory, including specific project ratings such as financial management and procurement. The purpose of this ISR is to report on the progress of the Project since the mid-term review in July 2020.

The Project disbursement currently stands at 99.9 percent (with USD 0.06 million undisbursed), due to rapid acceleration under the Credit Line following the two partial currency conversions of parts of the loan from USD to EUR in 2020. As of January 1, 2021, the Project provided financing through 347 sub-projects to 286 unique private micro, small and medium-sized enterprise (MSME) beneficiaries, which implies 110 new sub-projects and 81 new beneficiaries since the beginning of July 2020. 95.1 percent of entities that obtained credit under the project were private micro and small enterprises and individual entrepreneurs. Very importantly, the Project has enabled Participating Financial Institutions to extend longer-term loans to MSMEs than what is available in the domestic market, with the average maturity of the sub-loans exceeding 6 years.



Following the approved Project restructuring in April 2020, the institutional strengthening component will focus on new product development in line with DBRB's expanded mandate in the areas of venture financing and export finance, knowledge events, and capacity building of micro, small, and medium-sized enterprises and Participating Financial Institutions.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	☐ Moderate	☐ Moderate	☐ Moderate
Macroeconomic	☐ Substantial	☐ Substantial	☐ Substantial
Sector Strategies and Policies	☐ Moderate	☐ Moderate	☐ Moderate
Technical Design of Project or Program	☐ Moderate	☐ Low	☐ Low
Institutional Capacity for Implementation and Sustainability	☐ Substantial	☐ Moderate	☐ Moderate
Fiduciary	☐ Substantial	☐ Moderate	☐ Moderate
Environment and Social	☐ Moderate	☐ Moderate	☐ Moderate
Stakeholders	☐ Moderate	☐ Moderate	☐ Moderate
Other	--	--	--
Overall	☐ Substantial	☐ Moderate	☐ Moderate

Results

PDO Indicators by Objectives / Outcomes

Improve access to finance for MSMEs				
► Growth of DBRB MSME loan portfolio provided through participating financial institutions (PFIs) (percent) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	410.00	469.20	170.00
Date	30-Sep-2017	01-Jul-2020	01-Jan-2021	31-Dec-2022
Comments:	<p>The indicator measures the outreach of the WB funding on MSME bank financing beyond the funds through the project, in line with MSME Finance Core Indicators. The WB seeks to support the development of a sound financial sector and well-managed financial intermediaries (PFIs), which lend to SMEs on a commercial basis.</p> <p>This indicator is tracked on an annual basis, using end of year financials. The indicator measures the growth rate of DBRB loans to private MSMEs through PFIs. US\$33 million outstanding portfolio to commercial banks in support of private MSMEs as of January 1, 2017 corresponds to the baseline of 0%. The growth rate is calculated based on unconsolidated financial statements of the DBRB. It includes all of</p>			



DBRB's financing activities to commercial banks in support of private MSMEs both via the Bank-financed portion and DBRB's own MSME programs. It is calculated as follows: [Outstanding Portfolio (year n) / Outstanding Portfolio (baseline)] - 1

► Number of MSME beneficiaries that obtained credit under the project (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	205.00	286.00	150.00
Date	30-Sep-2017	01-Jul-2020	01-Jan-2021	31-Dec-2022

Enhance the governance and institutional capacity of DBRB

► Governance and business model of DBRB strengthened (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Yes	Yes	Yes
Date	30-Sep-2017	01-Jul-2020	01-Jan-2021	31-Dec-2022

Comments:

The indicator ensures that DBRB meets the following conditions: (i) operates on a financially sustainable basis, (ii) is in compliance with applicable NBRB regulations, (iii) operates increasingly on a wholesale basis (with new loans and guarantees extended via other Belarusian banks), (iv) has a majority of independent supervisory board members.

(i) As of January 2021, DBRB had a positive return on assets and regulatory capital (according to the national standards). (ii) DBRB was also in compliance with the applicable requirements of the NBRB including capital adequacy, liquidity, and asset quality. (iii) DBRB granted 3,928.8 million BYN new loans in 2020, 6.8% of which through PFIs and leasing companies (and 93.2% directly), compared to 2.4% percent through PFIs (and 97.6% directly) in 2016. (iv) As of March 24, 2017, the DBRB Supervisory Board has no NBRB representative and consists of 9 members, 6 of whom are independent (more than half of the Supervisory Board), which corresponds to the best international practice of corporate governance. In July 2019, DBRB purchased the shares that were under the operational management of the NBRB. In December 2019, the Head of State signed the amended decree on the DBRB, which was discussed extensively with the WB, and incorporates several recommendations made by the WB. Changes to the mandate of the DBRB will strengthen its position as a national development bank and continue the successful implementation of the tasks set for the Bank to activate long-term financing of large investment projects, finance exports, and support small and medium-sized enterprises in order to promote sustainable economic growth of the Republic of Belarus.

Intermediate Results Indicators by Components

Credit Line

► Volume of loans disbursed under the project (US\$, millions) (Amount(USD), Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	51.90	59.63	56.20



Date	30-Sep-2017	28-Aug-2020	19-Feb-2021	31-Dec-2022
► Number of active PFIs under the project (cumulative) (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	9.00	9.00	3.00
Date	30-Sep-2017	01-Jul-2020	01-Feb-2021	31-Dec-2022
Comments:	There are 9 PFIs, all of which are active (have extended credit).			
► Portfolio Quality: Portfolio at risk (%) (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	n/a	2.17	2.06	n/a
Date	30-Sep-2017	01-Jul-2020	01-Jan-2021	31-Dec-2022
Comments:	<p>This is a MSME Core Intermediate Result Indicator. It offers no baseline or targets, as PFIs were not preselected at the time the project was approved and the indicator collection is for analytical purposes and project implementation adjustments.</p> <p>The Portfolio-At-Risk (share of non-performing assets) as of January 1, 2021 was 2.06% for DBRB, 1.9% for Belagroprombank, 5.08% for Belinvestbank, 1.6% for Alfa-Bank, 2.64% for Belaruski Narodny Bank, 3.3% for MTBank, 1.97% for Priorbank, 3.2% for Belgazprombank, 0.63% for Bank Dabrabyt and 6.61% for Belarusbank.</p>			
► Gender: share of businesses beneficiaries that obtained credit under the project with at least 15 percent female workforce participation (percent) (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	55.60	54.20	n/a
Date	30-Sep-2017	01-Jul-2020	01-Jan-2021	31-Dec-2022
Comments:	The gender data has no target as it is collected for analytical purposes and towards the design of future projects.			
► Citizen Engagement: MSMEs that report that project sub-finance reflected their needs (Percentage) (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	96.00	96.00	>90
Date	30-Sep-2017	01-Jul-2020	01-Jul-2020	31-Dec-2022
Comments:	The PIU completed the survey in June 2020.			

Institutional Strengthening



► Financial Sustainability: Return on Assets (%) (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	n/a	1.60	1.40	n/a
Date	30-Sep-2017	01-Jul-2020	01-Jan-2021	31-Dec-2022
Comments:	This is a MSME Core Intermediate Result Indicator. It offers no baseline or targets, as PFIs were not preselected at the time the project was approved and the indicator collection is for analytical purposes and project implementation adjustments.			
► Financial Sustainability: Return on Equity (%) (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	n/a	8.80	8.40	n/a
Date	30-Sep-2017	01-Jul-2020	01-Jan-2021	31-Dec-2022
Comments:	This is a MSME Core Intermediate Result Indicator. It offers no baseline or targets, as PFIs were not preselected at the time the project was approved and the indicator collection is for analytical purposes and project implementation adjustments.			
► Compliance with prudential regulation (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Yes	Yes	Yes	Yes
Date	30-Sep-2017	01-Jul-2020	01-Jan-2021	31-Dec-2022
Comments:	DBRB and the PFIs are in full compliance with the prudential requirements of the National Bank of the Republic of Belarus (NBRB).			

Performance-Based Conditions

Data on Financial Performance

Disbursements (by loan)

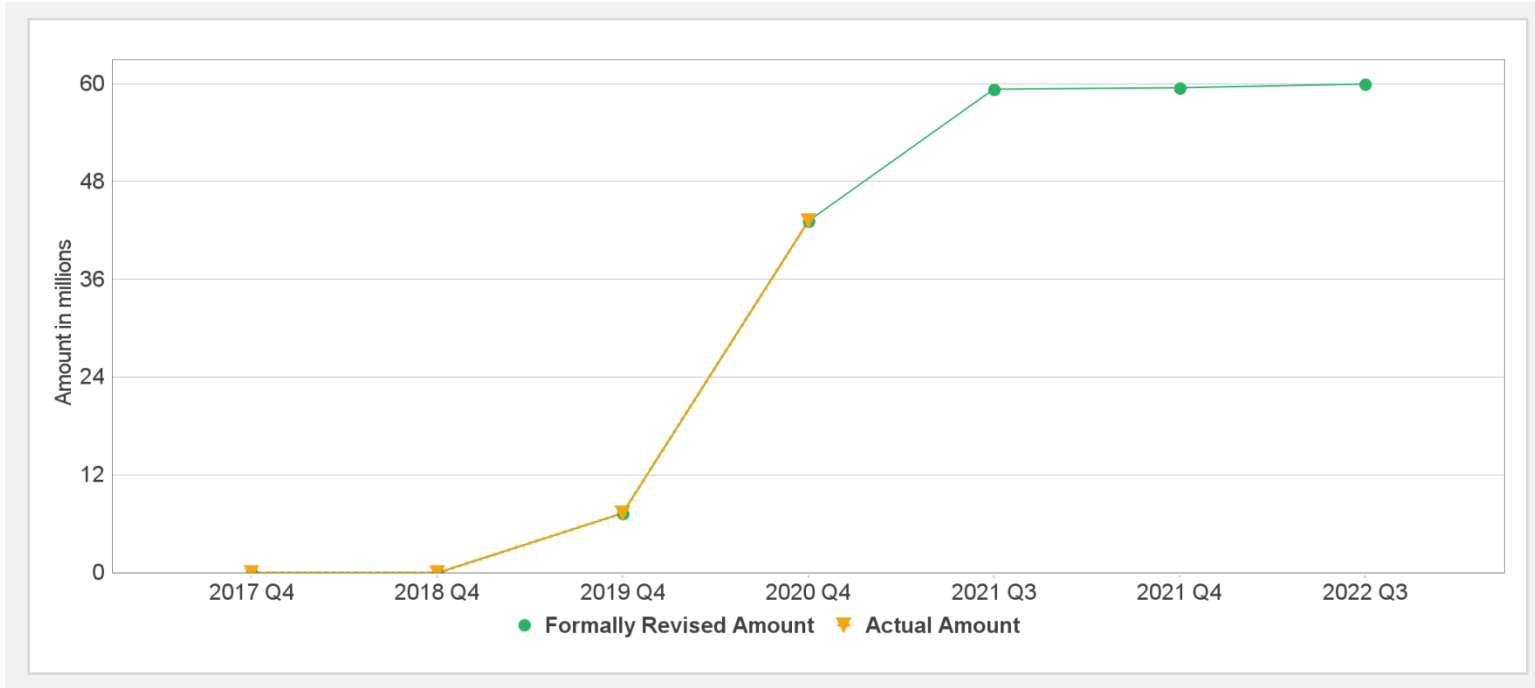
Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P152276	IBRD-86960	Effective	USD	60.00	60.00	0.00	63.65	1.09	98%

Key Dates (by loan)



Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P152276	IBRD-86960	Effective	28-Sep-2017	12-Oct-2017	19-Apr-2018	31-Dec-2022	31-Dec-2022

Cumulative Disbursements



PBC Disbursement

PBC ID	PBC Type	Description	Coc	PBC Amount	Achievement Status	Disbursed amount in Coc	Disbursement % for PBC
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Restructuring History

Level 2 Approved on 15-Apr-2020

Related Project(s)

P174664-Belarus MSME A2F COVID-19 AF ,P174665-Belarus MSME Access to Finance COVID-19 Additional Finance