



Report and Recommendation of the President to the Board of Directors

Project Number: 52085-001
October 2018

Proposed Equity Investment and Senior Debt Financing Annapurna Finance Private Limited Supporting Access to Finance for Women in Rural Areas Project (India)

This is an abbreviated version of the document approved by ADB's Board of Directors that excludes information that is subject to exceptions to disclosure set forth in ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 30 September 2018)

Currency unit	–	Indian rupee/s (₹)
₹1.00	=	\$0.0138
\$1.00	=	₹72.5405

ABBREVIATIONS

ADB	–	Asian Development Bank
CAR	–	capital adequacy ratio
ESMS	–	environmental and social management system
GAP	–	gender action plan
IPO	–	initial public offering
JLG	–	joint liability group
MFI	–	microfinance institution
MSEs	–	micro and small enterprises
NBFC	–	nonbank financial company
NPA	–	nonperforming asset
OIJIF	–	Oman India Joint Investment Fund II
RBI	–	Reserve Bank of India
SFB	–	small finance bank
SHG	–	self-help group

NOTES

- (i) The fiscal year (FY) of the Government of India and Annapurna Finance Private Limited ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2018 ends on 31 March 2018.
- (ii) In this report, “\$” refers to United States dollars.

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PROJECT AT A GLANCE

1. Basic Data		Project Number: 52085-001	
Project Name	Supporting Access to Finance for Women in Rural Areas Project	Department /Division	PSOD/PSFI
Country	India		
Borrower	Annapurna Finance Private Limited		
Investee	Annapurna Finance Private Limited		
2. Sector		ADB Financing (\$ million)	
✓ Finance	Inclusive finance		50.00
		Total	50.00
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Private sector development (PSD)	Promotion of private sector investment	Gender equity (GEN)	✓
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	Yes	Rural	High
Household Targeting	Yes	Urban	Low
SDG Targeting	Yes		
SDG Goals	SDG1, SDG5, SDG8, SDG10		
6. Nonsovereign Operation Risk Rating			
Obligor Name		Obligor Risk Rating	Facility Risk Rating
Annapurna Finance Private Limited			
Annapurna Finance Private Limited			
7. Safeguard Categorization			
Environment: FI		Involuntary Resettlement: FI-C	Indigenous Peoples: FI-C
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		50.00	
Nonsovereign Direct Investment: Ordinary capital resources		30.00	
Nonsovereign Debt Security (Regular Loan): Ordinary capital resources		20.00	
Cofinancing		0.00	
Others *		0.00	
Total		50.00	
Currency of ADB Financing: INR			

* Derived by deducting ADB financing and Cofinancing from Total Project Cost.

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed equity investment of up to \$30,000,000 equivalent in Indian rupees, and (ii) a proposed senior debt financing of up to \$20,000,000 equivalent in Indian rupees to Annapurna Finance Private Limited for the Supporting Access to Finance for Women in Rural Areas Project in India.

2. Annapurna will use the proceeds of the debt financing of the Asian Development Bank (ADB) to finance (i) microfinance loans to women customers under the self-help group (SHG) and joint liability group (JLG) models,¹ (ii) other small loans to individuals and micro and small enterprises (MSEs), and (iii) affordable housing loans. All of ADB's debt proceeds will be onlent to sub-borrowers in semi-urban and rural areas² in lagging states.³ ADB's equity investment will provide growth capital to underpin expansion of Annapurna's total loan portfolio in India.

II. THE FINANCIAL INTERMEDIARY

A. Investment Identification and Description

3. Access to credit in India is limited, with less than 15.7% of borrowers accessing credit through formal channels.⁴ In terms of rural outreach, only 16.5% of borrowers in rural areas accessed credit from a financial institution.⁵ Given the continued need to address access to credit issues, particularly for women, and to support the government's finance sector reform efforts, ADB has sought to identify financial institution partners that have demonstrated the ability to reach underbanked segments on a profitable and sustainable basis. Annapurna, a microfinance institution (MFI) based in the state of Odisha, has a solid credit methodology coupled with a strong social focus, including provision of training on financial literacy and women's empowerment, as well as education programs centered on topics such as health and hygiene. This has enabled it to maintain high-quality asset growth while achieving measurable social returns.⁶

4. The proposed transaction seeks to support Annapurna as it grows its presence in eastern and central India and diversifies across underpenetrated regions of India, with a particular focus on lagging states and rural areas. This strategy will further Annapurna's vision of offering equal

¹ SHGs are associations of up to 20 members, mostly women, from similar socioeconomic backgrounds. Loans are given to members of the SHG after an agreement is reached between all members of the group. Each SHG is a separate legal entity and also compulsorily starts a group savings practice, thus ensuring its integrity and longevity. The other common microfinance model, based on JLGs, involves groups of typically 4–10 women that are formed with the assistance of microfinance institutions (MFIs) to avail themselves of loans without providing any collateral. JLGs do not constitute a legal entity and each member of the group is jointly and severally liable for the repayment of loans taken by all of group members.

² Rural and semi-urban areas are as defined under the Master Circular on Branch Authorisation dated 1 July 2014 and issued by the Reserve Bank of India (RBI), or as may be otherwise specified by the RBI from time to time.

³ 100% of the ADB debt proceeds will be onlent in those lagging states as agreed between ADB and Annapurna from time to time. Lagging states include low-income states with high poverty incidence, and special category states as agreed between the Government of India and ADB. These include Assam, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Madhya Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Rajasthan, Sikkim, Tripura, Uttar Pradesh, Uttarakhand, and West Bengal.

⁴ Sector Overview (accessible from the list of linked documents in Appendix 2).

⁵ World Bank. Global Findex Database. <http://datatopics.worldbank.org/financialinclusion/> (accessed 24 August 2018). Data is as of 2017.

⁶ Annapurna has Client Protection Certification from the Smart Campaign and achieved an A social rating from MicroFinanza Rating based on its good social performance management and client protection systems. The Smart Campaign and MicroFinanza Rating are well-recognized organizations that focus specifically on the microfinance industry.

opportunities, particularly for its low-income women customers, through universal access and financial deepening, which will help promote financial inclusion, and livelihood and economic development. Annapurna has continuously sought partnerships with like-minded institutions while charting its own growth. The proposed ADB equity investment and debt funding will be Annapurna's first partnership with a multilateral financial institution.⁷

5. Annapurna has been part of ADB's Microfinance Risk Participation and Guarantee Program since 2014.⁸ Excluding the institutions that have been awarded a small finance bank (SFB) license, Annapurna is the eighth largest MFI in the country. Annapurna is viewed as a strong partner for ADB in the Indian microfinance sector, as over 89% of its portfolio is in lagging states and about 85% is in rural areas; the industry average is 58% in lagging states and 66% in rural areas.⁹ It has a significant presence in some of the largest underpenetrated and lagging states such as Assam, Bihar, Chhattisgarh, Madhya Pradesh, Odisha, and Uttar Pradesh. Therefore, there is direct alignment between Annapurna's women-inclusive finance focus and ADB's inclusive finance and gender development objectives. The proposed project is also viewed as complementary to other ADB initiatives in the finance sector to support the Indian microfinance sector—including the loan to IndusInd Bank for the Supporting Access to Finance for Women in Less-Developed States Project disbursed in September 2017, and the equity investment in April 2017 in Satin Creditcare Network Limited for the Supporting Access to Finance for Women in Lagging States Project—as well ADB's Microfinance Risk Participation and Guarantee Program.¹⁰

6. Therefore, Annapurna has been identified as a strong candidate for ADB funding because of (i) the substantial development impact associated with the provision of financial inclusion to its customer base, predominantly women in rural areas of India's lagging states; (ii) its demonstrated sound financial performance and risk management processes; (iii) it being the only large MFI in India that has primarily adopted the SHG model of microfinance, which provides high development impact through promotion of savings and group cohesion, in addition to loan products; and (iv) the greater portfolio diversification the project would provide, as ADB currently does not have any direct financing exposure to MFIs predominantly operating in eastern India.

B. Business Overview and Strategy

7. **Gender and microfinance.** Women are one of the most vulnerable groups in the world's poorest populations and a significant number of them remain unbanked. In India, only 17% of women (compared with 22% of men) have savings at a financial institution, and only 5% of women (compared with 8% of men) have borrowed from a financial institution.¹¹ Businesses owned by

⁷ In the case of small finance banks (SFBs), foreign ownership is restricted to 49%. In September 2015, the RBI awarded licenses to 10 institutions to convert into SFBs. SFBs function like a standard bank, with the ability to take deposits, but also have to focus on smaller loans and have higher priority sector lending requirements than other banks.

⁸ ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Microfinance Risk Participation Program*. Manila. This program is a credit-enhancement program designed to address a market gap by sharing risks to promote local currency lending to MFIs. ADB partners with financial institutions that lend in local currency to MFIs, and shares the risk on these loans.

⁹ Microfinance Institutions Network. 2018. *Micrometer: Data as of 31st March 2018*. Issue 25. Delhi.

¹⁰ ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to IndusInd Bank Limited for the Supporting Access to Finance for Women in Less-Developed States Project in India*. Manila; and ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Equity Investment in Satin Creditcare Network Limited for the Supporting Access to Finance for Women in Lagging States Project*. Manila.

¹¹ World Bank 2018. *The Little Data Book on Financial Inclusion 2018*. Washington, DC. p. 74.

women remain constrained by a lack of access to credit. Challenges that often limit access to finance include lack of a land title, lack of collateral needed to obtain credit, low income, absence of financial documents, and unfamiliarity with paperwork and procedures. Nonbank microfinance models have provided an alternative channel for provision of financial services to women because they address the constraints of traditional banking models, for example, by having limited or no collateral requirements. Well-designed microfinance products provide an opportunity for women to enter the formal finance sector, build microfinance credit histories, and increase economic activities.¹² Annapurna addresses these constraints through SHG lending, with over 99% of the cumulative amount of microloans disbursed being provided to women borrowers for services and activities directly benefiting women. Under this lending model, Annapurna has successfully built a sustainable microfinance operation, specifically targeting women in rural areas where there is less competition and microfinance penetration is lowest.

8. **Overview and strategy.** Annapurna has the majority of its operations in eastern and central India. At the end of June 2018, it operated in 14 states through 451 branches, spread across 199 districts and servicing more than 1.26 million customers. Annapurna was initially part of People's Forum, a nonprofit organization conducting developmental activities that was established in 1989. People's Forum commenced an independent microfinance project in 2007 under the name of Mission Annapurna. The microfinance operation was placed in a separate entity and registered as a nonbank financial company (NBFC)-MFI with the Reserve Bank of India (RBI) in 2013.

9. Currently, Annapurna primarily provides microloans to women under the SHG model (90% of its total microfinance portfolio), but also provides a small number of microloans in certain areas using the JLG model. Annapurna is the only large NBFC-MFI that has primarily adopted the SHG model. Microfinance loans account for over 97% of its total lending operations. The average size of its microloans is ₹28,000.¹³ Other than microfinance loans, since fiscal year (FY) 2016 Annapurna has also offered specialized loan products for water and sanitation, loans for people with disabilities, education loans, solar loans, dairy loans of up to ₹150,000, and larger individual loans of up to ₹100,000 to members of marginalized groups for livelihood generation. During FY2018, the company started affordable housing finance (for incremental housing and home purchases) and MSE lending, following pilot testing of these product lines over an 18-month period.

10. Annapurna operates primarily in districts where penetration of microfinance is relatively low. The states in which Annapurna has its largest operations are Odisha (representing 46% of its total loan portfolio), Madhya Pradesh (15%), Maharashtra (10%), Chhattisgarh (9%), Assam (7%), and Bihar (6%). Annapurna is one of the market leaders in several states in which it operates; it has the second largest microfinance loan portfolio in Odisha and Chhattisgarh. Since 2016, it has expanded into nine new states, including two (Haryana and West Bengal) in 2018. Annapurna is growing faster in these recently entered areas as compared with its traditional market of Odisha as it seeks to diversify its portfolio geographically.

C. Ownership, Management, and Governance

11. **Ownership.** The largest shareholder is Oman India Joint Investment Fund II (OIJIF), a growth capital private equity fund focused on investing in the mid-market segment in India.¹⁴ OIJIF

¹² ADB. 2013. *India: Gender Equality Diagnostic of Selected Sectors*. Manila.

¹³ The maximum loan size of a microloan is ₹80,000.

¹⁴ The general partners of OIJIF are the State General Reserve Fund of Oman and State Bank of India.

invested in Annapurna in May 2018. The Belgian Investment Company for Developing Countries, a bilateral development bank, invested in Annapurna in 2014 and holds about 14%.

12. **Management.** Annapurna's senior management is led by the promoter, Gobinda Chandra Pattanaik, a microfinance industry veteran and a social entrepreneur, who holds about 9% of the company. He is known to be a pioneer in the field of women's empowerment in Odisha, having set up various microenterprise activities in the state. He has played a key role in establishing various other community-based institutions and is an advisor to various district administrations. The company also has another promoter director, Dibyajoti Pattanaik, who has more than 12 years of experience in the microfinance sector and who played a critical role in launching and building the company.

13. **Governance structure.** Annapurna's board currently comprises 11 directors, including the two individual promoters, three independent directors, and six directors nominated by the investors. The three independent directors have several decades of experience across investment banking, development banking, and microfinance. All six nominee directors representing the private investors are members of the senior management teams within their respective companies and have strong professional and educational backgrounds. The composition of the board complies with all regulatory requirements as prescribed by the RBI.

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III. THE PROPOSED ADB ASSISTANCE

A. The Assistance

14. The proposed ADB assistance consists of (i) an equity investment of up to \$30 million equivalent in Indian rupees, with an initial investment of up to \$22 million equivalent in Indian rupees; and (ii) senior debt financing of up to 5 years for up to \$20 million equivalent in Indian rupees, with an initial disbursement of up to \$10 million equivalent in Indian rupees. The balance of the approved equity amount may be invested in subsequent fundraising rounds that Annapurna is expected to undertake before its initial public offering (IPO). ADB will obtain the right to nominate a member to Annapurna's board of directors. Under separate approval, ADB is expected to provide capacity building technical assistance in an amount of up to \$500,000, which will accompany the ADB funding and is expected to support the company in key areas such as gender mainstreaming, including in the areas of skills development of Annapurna's customers and risk management.¹⁵

B. Implementation Arrangements

15. ADB will monitor the project. Annapurna will provide ADB with financial reports at predetermined regular intervals and as requested, including (i) unaudited financial statements on a quarterly basis, (ii) audited financial statements on an annual basis, (iii) reports on characteristics of the total loan portfolio and subloans funded with the proceeds of ADB's debt facilities, (iv) annual reports on selected development indicators agreed between ADB and Annapurna, and (v) annual reports on safeguards and social protection compliance. Exit options for ADB's equity investment will include the sale of shares in the open market if the company does an IPO or the sale of ADB's shareholding to an institutional investor.

¹⁵ The technical assistance will be approved separately and is expected to be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources).

C. Value Added by ADB Assistance

16. **Finance sector development and financial inclusion as a strategic partner.** The proposed equity investment and debt financing seek to support a private financial institution's growth as it expands its lending presence into unserved and underserved geographical regions of India. ADB will provide stable sources of longer-term funding as Annapurna undertakes its portfolio expansion. The ADB funding will enable Annapurna to provide products and expand services to address the financial needs of India's poor, which are not being met by mainstream financial institutions, and will thereby complement the government's objective to increase financial inclusion. ADB will be Annapurna's first multilateral institutional partner. Without ADB's funding, Annapurna's growth would be constrained by limited long-term funding and insufficient capital.

17. Annapurna's stakeholders also believe that it is necessary to fill the gap in the existing shareholder structure by bringing in a like-minded development partner with experience and knowledge in some of its core business areas, such as MSE finance, rural finance, and affordable housing finance. Through ADB's nominee on Annapurna's board of directors and broader shareholder engagement, Annapurna will benefit from ADB's experience with other financial institutions in the region.

18. **Strengthening capital and providing longer tenor debt.** Annapurna will need capital and long-term debt financing as it continues to expand its loan portfolio in response to significant demand for credit from underserved segments and the growing needs of the Indian economy. Without additional capital, the company could not grow as planned and be in compliance with existing prudential capital adequacy requirements. As Annapurna expands its newest product segments of MSE and affordable housing lending, it will need to source additional long term debt so tenor mismatches do not arise. Capital markets are still developing in India and other long-term sources of debt are difficult for MFIs to source. The promoters have also identified significant benefits from raising capital from an institution such as ADB, as this will signal confidence in Annapurna. This is important as Annapurna emerges from the demonetization situation, with stakeholders and market participants still being sensitive to uncertainty and potential risks.

19. **Adherence to market-leading standards.** As the first multilateral development institution shareholder, ADB will help to develop and support Annapurna's (i) adherence to high corporate governance and risk management standards; and (ii) adoption of international best practices, primarily in respect of risk management, social, and environmental standards. ADB's technical assistance is also expected to enhance the company's risk management framework and further strengthen its gender initiatives, which will be implemented through a gender action plan (GAP).

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IV. DEVELOPMENT IMPACT AND STRATEGIC ALIGNMENT

A. Development Impact, Outcomes, and Outputs

20. **Impact.** The project is aligned with the following impact: access to finance and credit for women, primarily in rural areas of lagging states, increased. This is in alignment with the Government of India's financial inclusion agenda, which highlights the delivery of affordable

banking and other financial services to unserved or underserved groups as a means to promote poverty reduction and inclusive growth.¹⁶

21. **Outcomes.** The project will have the following outcomes: (i) uptake of financial services in target groups increased, particularly among women, and primarily in rural areas of lagging states; and (ii) lending activities by Annapurna to the MSE and affordable housing segment expanded.

22. **Outputs.** The project will have the following outputs: (i) Annapurna's capacity to sustainably provide loans and other financial services to underserved target groups, including women, increased; and (ii) Annapurna's expansion into new product segments such as MSEs and affordable housing loans carried out.

B. Alignment with ADB Strategy and Operations

23. The project supports the following key operational priorities of ADB's Strategy 2030: (i) addressing remaining poverty and reducing inequalities, (ii) promoting rural development, (iii) strengthening governance and institutional capacity through ADB's environmental and social management system (ESMS) and its role on the company's board, and (iv) accelerating progress in gender equality through the GAP.¹⁷ The proposed equity investment and debt financing contribute to finance sector development by supporting the growth of an MFI, with microfinance being an important component of the finance sector in India. Without access to formal financial services, lower-income people or underserved segments will be excluded from the growth process and its benefits. According to ADB's country partnership strategy for India, 2018–2022, ADB's nonsovereign operations will continue to support the finance sector by undertaking projects in support of the country's financial infrastructure.¹⁸ The project will support the development of microfinance in India, one of the financial segments identified as a high priority for the government. It will also support lending growth in lagging states, another priority area of the government. The project is also aligned with ADB's Gender Equality and Women's Empowerment Operational Plan, 2013–2020.¹⁹

V. POLICY COMPLIANCE

A. Safeguards and Social Dimensions

24. The project is classified as category FI for impacts on the environment, and FI treated as C for impacts on involuntary resettlement and indigenous peoples. ADB has assessed the investment's potential environment and social impacts, its risks associated with Annapurna's existing and likely future portfolio, and its commitment and capacity for environmental and social management. Annapurna's existing and future lending exposure primarily comprises low- to medium-risk sectors. The nature and scale of Annapurna's current transactions with a maximum loan size of about \$40,000 are expected to have no to minimal adverse environmental impacts

¹⁶ Based on the Government of India's financial inclusion agenda, which includes such initiatives as the *Pradhan Mantri Jan Dhan Yojana* (Prime Minister's People Money Scheme), priority sector lending requirements, and the Digital India scheme.

¹⁷ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

¹⁸ ADB. 2017. *Country Partnership Strategy: India, 2018–2022—Accelerating Inclusive Economic Transformation*. Manila.

¹⁹ ADB. 2013. *Gender Equality and Women's Empowerment Operational Plan, 2013–2020*. Manila.

and are unlikely to entail impacts on involuntary resettlement and indigenous peoples. However, the future portfolio may include businesses or activities that could have potential limited adverse environmental impacts. Annapurna will not use the proceeds of ADB's financing for subloans or activities that may be classified as category A for environment and category A or B for involuntary resettlement and indigenous peoples. Annapurna will (i) align its existing exclusion list with ADB's prohibited investment activities list, (ii) ensure that investments using ADB funds comply with ADB's Safeguard Policy Statement (2009) and abide by applicable national laws and regulations, and (iii) update its existing ESMS to be satisfactory to ADB before disbursement of debt or its equity subscription.²⁰ The updated ESMS will set out requirements, as applicable, for compliance with national labor laws and measures to comply with the internationally recognized core labor standards, pursuant to ADB's Social Protection Strategy. The updated ESMS will also contain requirements, as applicable, for information disclosure and consultation with affected people in accordance with ADB requirements.

25. **Gender equity and poverty orientation.** Following ADB's Policy on Gender and Development, Annapurna has incorporated measures to promote gender equality and women's empowerment in its lending operations.²¹ A GAP has been prepared to support the gender equity theme classification of the project. Key features of the GAP are (i) increased access of women to existing financial products, (ii) effective implementation of Annapurna's gender policy to improve organizational capacity to service women borrowers, (iii) skills development and improved capacity of women borrowers, and (iv) increased access of women to MSE and affordable housing finance. The project has been designed to include gender-specific loan targets that will increase the amount of loans disbursed to women borrowers. Annapurna will submit periodic reports on implementation of gender measures to ADB.²² ADB's participation in the project will help borrowers, predominantly from the base of the income pyramid, to access financial services such as microloans and affordable housing loans, which will contribute to the improvement of their living conditions. As ADB's financing helps enable access to such finance, the project is classified as "inclusive business." The project also has a high development impact and contributes to the achievement of Sustainable Development Goal 10 (reduce inequality within and among countries).

B. Anticorruption Policy

26. Annapurna was advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism; and remedies for ADB in the event of noncompliance.

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C. Assurances

27. Consistent with the Agreement Establishing the Asian Development Bank (the Charter),²³ ADB will proceed with the proposed assistance upon establishing that the Government of India has no objection to the proposed assistance to Annapurna. ADB will enter into suitable finance

²⁰ Summary Poverty Reduction and Social Strategy; Environmental and Social Management System: Audit Findings and Details of Arrangement (accessible from the list of linked documents in Appendix 2.)

²¹ ADB. 1998. *Policy on Gender and Development*. Manila.

²² ADB. 2012. *Guidelines for Gender Mainstreaming Categories of ADB Projects*. Manila.

²³ ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

documentation, in form and substance satisfactory to ADB, following approval of the proposed assistance by the ADB Board of Directors.

VI. RECOMMENDATION

28. I am satisfied that the proposed equity investment and senior debt financing would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve (i) the equity investment of up to \$30,000,000 equivalent in Indian rupees, and (ii) the senior debt financing of up to \$20,000,000 equivalent in Indian rupees from ADB's ordinary capital resources to Annapurna Finance Private Limited for the Supporting Access to Finance for Women in Rural Areas Project in India, with such terms and conditions as are substantially in accordance with those set forth in this report, and as may be reported to the Board.

Takehiko Nakao
President

17 October 2018

DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with			
Access to finance and credit for women, primarily in rural areas of lagging states, increased ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcomes Uptake of financial services in target groups increased, particularly among women; and lending activities by Annapurna Finance Private Limited to MSEs and affordable housing expanded	By FY2024: a. Number of microloans outstanding to women customers increased b. Number of MSE loans outstanding increased c. Number of affordable housing loans outstanding increased d. Number of loans outstanding to lagging states increased e. Number of loans outstanding in rural or semi-urban areas increased f. Number of women customers increased g. Annual number of newly opened MSE loan accounts for MSEs owned and/or co-owned by women increased h. Annual number of newly opened affordable housing loan accounts with women borrowers and/or co-borrowers increased i. Entry into at least three additional lagging states j. Average nonperforming assets (90 days past due) maintained	a–j. Annapurna annual Development Effectiveness Monitoring Report	Demand for loans not as strong as expected Difficult macroeconomic or social situations hamper growth of the MSE and affordable housing segments Economic shocks or regulatory changes

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outputs 1. Annapurna's capacity to sustainably provide loans and other financial services to underserved target groups, including women, increased 2. Expansion into new product segments such as MSEs and affordable housing loans carried out	By FY2023: 1a. Microloans disbursed annually to women customers 1b. Loans disbursed annually in lagging states 1c. Loans disbursed annually in rural and semi-urban areas 1d. Loans disbursed annually to women customers 2a. New product introduced, of which at least 50% of the clients are women 2b. MSE loans disbursed 2c. Affordable housing and home improvement loans disbursed annually	1–2. Annapurna annual Development Effectiveness Monitoring Report	Regulatory delays and/or unforeseen risks
Key Activities with Milestones 1. Annapurna's capacity to sustainably provide loans and other financial services to underserved target groups, including women, increased 1.1 ADB executes shareholders' agreement with Annapurna by Q4 2018 and nominates a member to Annapurna's board of directors 1.2 ADB's initial debt facility is fully disbursed by Q4 2018, and the remaining debt is disbursed within 18 months of the first disbursement. 1.3 Annapurna conducts staff training on gender for all new employees by the end of FY2023 2. Expansion into new product segments such as MSEs and affordable housing loans carried out 2.1 Annapurna expands its MSE and affordable housing product loan offerings to at least 10 states by the end of FY2020			
Inputs ADB: \$30 million (equity) ADB: \$20 million (debt)			
Assumptions for Partner Financing Not applicable			

ADB = Asian Development Bank, FY = fiscal year, MSEs = micro and small enterprises, Q = quarter.

Note: The FY of the Government of India and Annapurna ends on 31 March. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2018 ends on 31 March 2018.

^a This is aligned with the Government of India's financial inclusion agenda, which highlights the delivery of affordable banking and other financial services to unserved or underserved groups to promote poverty reduction and inclusive growth through employment generation. Based on the Government of India's financial inclusion agenda, which includes such initiatives as the *Pradhan Mantri Jan Dhan Yojana* (Prime Minister's People Money Scheme), priority sector lending, and the Digital India scheme.

^b Some clients can have more than one microloan outstanding.

^c Lagging states include low-income states with high poverty incidence and special category states. These include Assam, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Madhya Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Rajasthan, Sikkim, Tripura, Uttar Pradesh, Uttarakhand, and West Bengal.

Source: ADB.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=52085-001-4>

1. Sector Overview
2. Contribution to the ADB Results Framework
3. Country Economic Indicators
4. Summary Poverty Reduction and Social Strategy
5. Environmental and Social Management System: Audit Findings and Details of Arrangement