



Sri Lanka: Small and Medium-Sized Enterprises Line of Credit Project-Additional Financing

Project Name	Small and Medium-Sized Enterprises Line of Credit Project-Additional Financing
Project Number	49273-002
Country	Sri Lanka
Project Status	Active
Project Type / Modality of Assistance	Loan
Source of Funding / Amount	Loan 3640-SRI: Small and Medium-Sized Enterprises Line of Credit Project-Additional Financing Ordinary capital resources US\$ 75.00 million
Strategic Agendas	Inclusive economic growth
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development
Sector / Subsector	Finance - Small and medium enterprise finance and leasing
Gender Equity and Mainstreaming	Effective gender mainstreaming
Description	Financial inclusion of small and medium-sized enterprises (SMEs) in Sri Lanka remains a key development priority for the government given SMEs' large demand for credit, the financial barriers facing SMEs, and SMEs' potential for reducing unemployment and regional inequalities. This additional financing will provide loans to Sri Lankan banks to encourage them to grow their SME portfolios; and will extend the current successful project, which otherwise would close ahead of schedule, through March 2020.
Project Rationale and Linkage to Country/Regional Strategy	A vibrant SME sector has the potential to mitigate several of Sri Lanka's most difficult development challenges. SMEs have higher growth potential, can create jobs, and, over time, increase the tax base at a quicker pace than larger enterprises. They can also reduce regional inequalities. While all firms in Standard & Poor's Sri Lanka 20, the main national stock market index, are headquartered in Colombo, SMEs are spread throughout the country. For women, whose participation in the Sri Lankan workforce lags that of international peers, and for youths, whose unemployment rate exceeds the national average, start-up businesses offer an opportunity to participate meaningfully in the economy. A more vibrant SME sector could also increase exports and attract foreign direct investment.
Impact	Employment opportunities in SMEs increased (Vision 2025)
Project Outcome	
Description of Outcome	SMEs' access to finance strengthened
Progress Toward Outcome	Outcome indicators are on track with a higher than anticipated percentage of the funding lent to targeted SMEs.
Implementation Progress	
Description of Project Outputs	Financing to SMEs through formal intermediaries increased Innovative SME financing schemes developed Capacity of SMEs in targeted clusters to access financial services enhanced International competitiveness of the ICT BPO cluster strengthened

Status of Implementation Progress (Outputs, Activities, and Issues)	<p>1. The original line of credit project fully disbursed in January 2018. As of end-August 2018, 85% of the first allocation under the additional financing for the line of credit project was disbursed.</p> <p>2. Auction was piloted and used for the first 12 months of the project. The development of an SME credit guarantee institution is ongoing.</p> <p>3. Although the training of SMEs in targeted clusters is behind schedule, over 100 women-led SMEs in the targeted clusters have now been trained.</p> <p>4. ICT BPO work is nearly completed.</p>
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Geographical Location	Nation-wide
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Safeguard Categories	
Environment	FI
Involuntary Resettlement	FI-C
Indigenous Peoples	FI-C

Summary of Environmental and Social Aspects	
Environmental Aspects	Minimal or no adverse environmental impact.
Involuntary Resettlement	Not applicable.
Indigenous Peoples	Not applicable.

Stakeholder Communication, Participation, and Consultation	
During Project Design	There were multiple consultations organized by the Ministry of Finance and Mass Media that gave participating financial institutions the opportunity to contribute to the project's original design.
During Project Implementation	ADB communicates information about this project and the outcome of this project through its publications, presentations, and on its website. ADB also communicates with the project's internal stakeholders through written documents.

Business Opportunities	
Consulting Services	Not applicable.
Procurement	Procurement under ADB-financed subloans will be in accordance with ADB's Procurement Guidelines (2015, as amended from time to time) as they relate to financial intermediary loans. Subborrowers will be required to undertake procurement in accordance with established private sector or commercial practices that are acceptable to ADB (paragraph 3.12 of the ADB Procurement Guidelines).

Responsible ADB Officer	Lambert, Donald J.
Responsible ADB Department	South Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SARD
Executing Agencies	<i>Ministry of Finance and Mass Media The Secretariat Building Colombo 01 Sri Lanka</i>

Timetable	
Concept Clearance	-
Fact Finding	15 Aug 2017 to 17 Aug 2017
MRM	02 Oct 2017
Approval	15 Jan 2018
Last Review Mission	-
Last PDS Update	25 Sep 2018

Loan 3640-SRI

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
15 Jan 2018	16 Feb 2018	16 Apr 2018	30 Sep 2020	-	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	75.00	Cumulative Contract Awards			
ADB	75.00	15 Jan 2018	0.00	0.00	0%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	15 Jan 2018	25.00	0.00	33%

Project Page <https://www.adb.org/projects/49273-002/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=49273-002>

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