



Bangladesh: Microenterprise Financing and Credit Enhancement Project

Project Name	Microenterprise Financing and Credit Enhancement Project	
Project Number	51269-003	
Country / Economy	Bangladesh	
Project Status	Approved	
Project Type / Modality of Assistance	Loan Technical Assistance	
Source of Funding / Amount	Loan 4247-BAN: Microenterprise Financing and Credit Enhancement Project	
	Concessional ordinary capital resources lending	US\$ 200.00 million
	TA 6990-BAN: Institutional Strengthening for Microenterprise Financing	
	Technical Assistance Special Fund	US\$ 800,000.00
	Financial Sector Development Partnership Special Fund	US\$ 200,000.00
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth	
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Finance / Finance sector development - Inclusive finance - Small and medium enterprise finance and leasing	
Gender Equity and Mainstreaming	Gender equity	
Description	The Microenterprise Financing and Credit Enhancement Project will expand access to finance for unbanked and underbanked microenterprises through Palli Karma Sahayak Foundation (PKSF), a wholesale microfinance apex and its partner microfinance institutions (MFIs) - partner organizations (POs).	
Project Rationale and Linkage to Country/Regional Strategy	MFIs can be an important source of microenterprise financing. However, MFIs also face various constraints including (i) insufficient knowledge and capacity on microenterprise financing, (ii) limited enabling environment for microenterprise operations, and (iii) limited sources of funding. MFI financing is scarce due to the limited funding from Palli Karma Sahayak Foundation (PKSF), a wholesale financing institution for MFIs, and commercial banks. There are also regulatory restrictions on MFIs' savings mobilization. Except for large MFIs, most MFIs have limited access to commercial funding sources. This is due to the commercial banks' limited understanding on the microfinance sector and the preconception on MFIs as high risk borrowers. Current MFIs' funding sources are not keeping pace with the demand. A risk mitigation instrument for MFIs to mobilize commercial sources of funding such as a credit guarantee can be effective to provide additional comfort to commercial banks to expand their lending to MFIs.	
Impact	On-farm and off-farm jobs created through institutional and financial support to cottage, micro and small enterprises. (8th Five-Year Plan, 2020-2025)a	
Project Outcome		
Description of Outcome	1. Microenterprises' access to MFI financing increased 2. Commercial sources of funding to MFIs for microenterprise financing increased	
Progress Toward Outcome		
Implementation Progress		
Description of Project Outputs	PKSF's funding to MFIs for microenterprise financing expanded Commercial sources of funding to MFIs for microenterprise financing increased PKSF's and partner MFIs' institutional capacity and viability enhanced	
Status of Implementation Progress (Outputs, Activities, and Issues)		
Geographical Location	Nation-wide	
Safeguard Categories		
Environment	FI	
Involuntary Resettlement	FI-C	
Indigenous Peoples	FI-C	
Summary of Environmental and Social Aspects		
Environmental Aspects		
Involuntary Resettlement		

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation
During Project Design
During Project Implementation

Business Opportunities

Consulting Services	Recruitment of consultants shall be governed by the principles and procedures laid down in ADB's Procurement Regulations for ADB Borrowers (2017, as amended from time to time).
Procurement	Procurement by subborrowers, if any, will be in accordance with the established private sector or commercial practices acceptable to ADB, as required in Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

Responsible ADB Officer	Gunawardhena, Manohari
Responsible ADB Department	South Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SARD
Executing Agencies	Financial Institutions Division-MOF

Timetable

Concept Clearance	01 Jul 2021
Fact Finding	23 Jun 2021 to 24 Jun 2021
MRM	22 Jun 2022
Approval	14 Nov 2022
Last Review Mission	-
Last PDS Update	14 Nov 2022

Loan 4247-BAN

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	200.00	Cumulative Contract Awards			
ADB	200.00	-	0.00	0.00	%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	-	0.00	0.00	%

TA 6990-BAN

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
1,000,000.00	0.00	0.00	0.00	0.00	0.00	1,000,000.00	-	0.00

Project Page	https://www.adb.org/projects/51269-003/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=51269-003
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