Early Warning System

ADB-44934-015

Microfinance Risk Participation and Guarantee Program

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Quick Facts

Financial Institutions	Asian Development Bank (ADB)
Status	Approved
Bank Risk Rating	C
Voting Date	2015-10-26
Borrower	Borrowers not identified at the time of disclosure.
Sectors	Finance
Investment Type(s)	Guarantee
Investment Amount (USD)	$ 50.00 million

Project Description

According to bank documents, access to finance is often cited as one of the primary obstacles for micro, small, and medium-sized enterprises (MSMEs). An International Finance Corporation report found that MSMEs in developing countries face a financing gap of about $2.1 trillion–$2.6 trillion, which is equivalent to 30%–36% of current outstanding MSME credit. The impact of the Andhra Pradesh crisis in the microfinance industry in 2010 created an acute liquidity scarcity for microfinance institutions (MFIs) throughout India. In response, ADB developed the Microfinance Risk Participation and Guarantee Program to encourage international and domestic financial institutions to increase their lending volumes to microfinance through risk participation and guarantee arrangements.

Early Warning System Project Analysis

According to the ADB, the project is classified as financial intermediary and will be treated as category C for environment, involuntary resettlement, and indigenous people under ADB''s Safeguard Policy Statement (2009). Given the nature of microfinance operations, environmental impacts are expected to be negligible and no involuntary resettlement or impact on indigenous peoples are foreseen.

Investment Description

- Asian Development Bank (ADB)

Contact Information

No contact information provided at the time of disclosure.

ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: http://www.adb.org/site/accountability-mechanism/main

Bank Documents

- Guarantee Structure [Original Source]
- Implementation Arrangements [Original Source]
- Microfinance Risk Participation and Guarantee Program: Major Change and Additional Financing [Original Source]
- Partner Financial Institution Criteria [Original Source]
- Program Milestones [Original Source]
- Project Disclosure PDF [Original Source]
- Risk Participation Structure [Original Source]
- Risks and Mitigation Measures [Original Source]
- Summary Poverty Reduction and Social Strategy [Original Source]

Other Related Projects

- ADB-44934-016 Microfinance Risk Participation and Guarantee Program
- ADB-44934-017 Microfinance Risk Participation and Guarantee Program - Transaction Support for Expansion
- ADB-44934-026 Regional: Supporting Microfinance and Lending Partner Financial Institutions in their COVID-19 and Post-pandemic Response
- ADB-44934-032 Building Awareness on Climate Change and Adaptability at the Community level