Early Warning System

ADB-59296-001

Building a Strong and Inclusive Financial Ecosystem for Micro, Small and Medium Enterprises Subprogram 1

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Quick Facts

Countries	Sri Lanka
Financial Institutions	Asian Development Bank (ADB)
Status	Proposed
Bank Risk Rating	B
Borrower	Government of Sri Lanka - Ministry of Finance and Planning
Sectors	Finance, Industry and Trade
Investment Type(s)	Loan
Investment Amount (USD)	$ 200.00 million
Project Cost (USD)	$ 200.00 million

Project Description

According to the Bank’s website, the proposed sector development program is designed to improve the financial ecosystem for micro, small, and medium-sized enterprises (MSMEs) in Sri Lanka. The program’s objectives include (i) strengthening the financial ecosystem for MSMEs, including establishing new institutions to cater to the financial needs of MSMEs, enhancing the capacity of existing institutions, and diversifying available financing mechanisms and products; (ii) enhancing financial inclusion through increased financial literacy and digitalization of MSMEs and other stakeholders, which result in increased access to finance and a broader product suite within a strengthened regulatory framework; and (iii) enhancing the ecosystem for greening of MSMEs by introducing green finance instruments, developing sector frameworks for MSME greening, and integrating sustainability metrics into the financial ecosystem.

Early Warning System Project Analysis

According to the Concept Note, the Risk Categories are:

Subprogram 1 is tentatively categorized as B for environment under ADB's Safeguard Policy Statement (2009). The PBL component will support policy actions including a venture capital fund to provide equity finance to MSMEs, expanded loan schemes to include NBFIs, dedicated loan schemes for green investments, and green guarantees through the NCGIL. The PBL sets the enabling environment for downstream equity, loan, or guarantee investments, which could have environmental impact. Thus, mitigation measures may need to be incorporated into the program design (e.g., ensuring when establishing funds, loan schemes, or guarantees they will have an environmental and social management system [ESMS] from the start).

The FIL component, which will provide funding to MSMEs through PFI and NBFI credit lines, is considered the most sensitive component since monitoring of the financial institutions (FI) safeguards performance by the MOF will be needed during implementation. Category FI-A subloans will be excluded from support under the FIL component. However, category FI-B subloans will be eligible subject to the PFIs and NBFIs having an ESMS in line with ADB's Safeguard Policy Statement (2009) requirements.

The proposed program is classified category C for involuntary resettlement safeguards. The program will not trigger involuntary resettlement safeguards, as the PMU established under the MOF and the PFIs will exclude any subproject with potential involuntary resettlement impacts during subproject screening and selection. Only subprojects categorized FI-C for involuntary resettlement will be included.

The proposed program is classified category C for Indigenous Peoples safeguards. The program will not trigger Indigenous Peoples safeguards as the PMU established under the MOF and the PFIs will exclude any subproject with potential Indigenous Peoples impacts during subproject screening and selection. Only subprojects categorized FI-C for Indigenous Peoples will be included.

Investment Description

- Asian Development Bank (ADB)

Regular ordinary capital resources loan: US$ 120.00 million
Concessional ordinary capital resources loan: US$ 80.00 million

Contact Information

No contacts available at the time of disclosure

ACCESS TO INFORMATION

You can submit an information request for project information at: https://www.adb.org/forms/request-information-form

ADB has a two-stage appeals process for requesters who believe that ADB has denied their request for information in violation of its Access to Information Policy. You can learn more about filing an appeal at: https://www.adb.org/site/disclosure/appeals

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

- Concept Note