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# Sri Lanka: Strengthening the Regional Development Bank Project

## Project Name

Strengthening the Regional Development Bank Project

## Project Number

52219-001

## Country / Economy

- Sri Lanka

## Project Status

Closed

## Project Type / Modality of Assistance

- Loan
- Technical Assistance

## Source of Funding / Amount

Loan 3774-SRI: Strengthening the Regional Development Bank Project

### Source

### Amount

Ordinary capital resources US\$ 50.00 million

TA 9711-SRI: Enhancing Rural Micro and Small-Sized Enterprises Finance

### Source

### Amount

Japan Fund for Prosperous and Resilient Asia and the Pacific US\$ 1.00 million

## Strategic Agendas

- Inclusive economic growth

## Drivers of Change

- Gender Equity and Mainstreaming
- Knowledge solutions
- Partnerships
- Private sector development

## Sector / Subsector

- **Finance** / Small and medium enterprise finance and leasing

## Gender

Effective gender mainstreaming

## Description

The project would provide long-term financing that would directly fund \$50 million of subloans to micro and small enterprises outside of Colombo and be structured to provide the regulatory capital that would leverage an additional \$533 million of lending.

## Project Rationale and Linkage to Country/Regional Strategy

The national development strategy of the Government of Sri Lanka targets achieving upper middle-income status with improved equity and protection of the vulnerable by 2025. Creating one million new jobs in the formal economy and increasing the labor force participation rate, mainly with micro, small, and medium-sized enterprises (MSMEs), are cornerstones of the strategy. MSMEs have higher growth potential, create more jobs, and, over time, increase the tax base at a quicker pace than larger enterprises. Because of their distribution across the whole country, they also contribute to reducing stubborn regional inequalities.

Access to finance is a key challenge for MSMEs, which face constraints to affordable financing both on the demand side, such as poor commercial viability and difficulty in meeting lending requirements of financial institutions, and on the supply side, such as financial institutions having operations poorly designed for MSMEs and an overreliance on collateral-based loans. As a result, only 30% of Sri Lankan firms have sufficient access to bank loans and other capital. Relative to its peer countries, this puts Sri Lanka last in South Asia and 31st among the 32 developing member countries of the Asian Development Bank. These constraints are even greater for MSMEs that are led by women or located in rural areas.

### Impact

MSME access to finance enhanced (Vision 2025)

## **Project Outcome**

### Description of Outcome

RDB's capacity to serve its client MSMEs strengthened

### Progress Toward Outcome

Ongoing implementation.

## **Implementation Progress**

### Description of Project Outputs

RDB's operations expanded

RDB's operational capacity strengthened

Capacity of MSEs to access financial services enhanced

### Status of Implementation Progress (Outputs, Activities, and Issues)

#### Output 1:

Achieved. Board approved the deposit product on February 2021. Product Liyasawiya (savings product) was launched on 8 March 2021.

Ongoing. \$50 million was disbursed, out of which \$40 million has been liquidated as of 24 November 2022.

Achieved. 3,036 women-led businesses have been funded.

#### Output 2

Achieved. Strategy paper completed and to be incorporated in RDB's corporate plan.

Achieved. 5 November 2021 letter from the General Manager of RDB confirmed achievement and sample print screen of the report was provided.

Achieved. ADB-approved environmental and social management systems is uploaded in ADB's website.

Achieved. Approved by RDB's ALCO on March 2021. 5 November 2021 letter from the General Manager of RDB confirmed that the new ALCO reporting was implemented.

#### Output 3

Ongoing

Ongoing. 204 women clients have been trained as of 24 November 2022.

#### Geographical Location

Nation-wide, Colombo

### **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

not applicable  
Procurement  
not applicable

## Contact

Responsible ADB Officer  
Gunawardhena, Manohari  
Responsible ADB Department  
Sectors Group  
Responsible ADB Division  
Finance Sector Office (SG-FIN)  
Executing Agencies  
*Regional Development Bank*

## Timetable

Concept Clearance  
07 Sep 2018  
Fact Finding  
04 Sep 2018 to 07 Sep 2018  
MRM  
11 Oct 2018  
Approval  
14 Feb 2019  
Last Review Mission  
-  
Last PDS Update  
13 Dec 2022

## Funding

### Loan 3774-SRI

#### Milestones

| Approval    | Signing Date | Effectivity Date | Closing     |             |             |
|-------------|--------------|------------------|-------------|-------------|-------------|
|             |              |                  | Original    | Revised     | Actual      |
| 14 Feb 2019 | 14 Jun 2019  | 10 Oct 2019      | 30 Jun 2022 | 31 Dec 2023 | 31 Dec 2023 |

#### Financing Plan

| <b>Total (Amount in US\$ million)</b> |       |
|---------------------------------------|-------|
| Project Cost                          | 50.00 |
| ADB                                   | 50.00 |
| Counterpart                           | 0.00  |
| Cofinancing                           | 0.00  |

#### Loan Utilization

|                            | <b>Date</b> | <b>ADB</b> | <b>Others</b> | <b>Net Percentage</b> |
|----------------------------|-------------|------------|---------------|-----------------------|
| Cumulative Contract Awards | 06 Jul 2024 | 50.00      | 0.00          | 100%                  |
| Cumulative Disbursements   | 06 Jul 2024 | 50.00      | 0.00          | 100%                  |

## TA 9711-SRI

### Milestones

| <b>Approval</b> | <b>Signing Date</b> | <b>Effectivity Date</b> | <b>Closing</b>  |                |               |
|-----------------|---------------------|-------------------------|-----------------|----------------|---------------|
|                 |                     |                         | <b>Original</b> | <b>Revised</b> | <b>Actual</b> |
| 14 Feb 2019     | 09 Mar 2019         | 09 Mar 2019             | 28 Feb 2022     | 31 Dec 2023    | 27 Jun 2024   |

### Financing Plan/TA Utilization

| <b>ADB</b> | <b>Cofinancing</b> | <b>Counterpart</b> |                      |                        |               | <b>Total</b> |
|------------|--------------------|--------------------|----------------------|------------------------|---------------|--------------|
|            |                    | <b>Gov</b>         | <b>Beneficiaries</b> | <b>Project Sponsor</b> | <b>Others</b> |              |
| 0.00       | 1,000,000.00       | 0.00               | 0.00                 | 0.00                   | 0.00          | 1,000,000.00 |

### Cumulative Disbursements

| <b>Date</b> | <b>Amount</b> |
|-------------|---------------|
| 06 Jul 2024 | 865,931.59    |

Project Page <https://www.adb.org/projects/52219-001/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=52219-001>

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