



Report and Recommendation of the President to the Board of Directors

INTERNAL

Project Number: 51269-003
October 2022

Proposed Loan and Technical Assistance Grant People's Republic of Bangladesh: Microenterprise Financing and Credit Enhancement Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 14 September 2022)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.010433
\$1.00	=	Tk95.8516

ABBREVIATIONS

ADB	–	Asian Development Bank
CGF	–	credit guarantee fund
CMSE	–	cottage, micro, and small enterprise
COVID-19	–	coronavirus disease
DFI	–	development finance institution
ESMS	–	environmental and social management system
FID	–	Financial Institutions Division
MFI	–	microfinance institution
MOF	–	Ministry of Finance
MRA	–	Microcredit Regulatory Authority
PAM	–	project administration manual
PKSF	–	Palli Karma Sahayak Foundation
PSOD	–	Private Sector Operations Department
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of Bangladesh and its agencies ends on 30 June. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2021 ends on 30 June 2021.
- (ii) In this report, "\$" refers to United States dollars.

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PROJECT AT A GLANCE

1. Basic Data		Project Number: 51269-003	
Project Name	Microenterprise Financing and Credit Enhancement Project	Department/Division	SARD/SAPF
Country	Bangladesh	Executing Agency	Financial Institutions Division-MOF
Borrower	People's Republic of Bangladesh		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=51269-003-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=51269-003-PortAtaGlance		
2. Sector		Subsector(s)	
✓ Finance	Finance sector development		ADB Financing (\$ million)
	Inclusive finance		130.000
	Small and medium enterprise finance and leasing		50.000
			20.000
	Total		200.000
3. Operational Priorities		Climate Change Information	
✓ OP1: Addressing remaining poverty and reducing inequalities	GHG reductions (tons per annum)		0
✓ OP2: Accelerating progress in gender equality	Climate Change impact on the Project		Low
✓ OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability			
✓ OP6: Strengthening governance and institutional capacity			
		ADB Financing	
		Adaptation (\$ million)	91.000
		Mitigation (\$ million)	0.000
		Cofinancing	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.000
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.1, 1.2, 1.4, 1.5	Gender Equity (GEN)		✓
SDG 5.a			
SDG 8.10, 8.3	Poverty Targeting		
SDG 9.3	General Intervention on Poverty		✓
SDG 10.1			
SDG 13.a			
SDG 17.3			
4. Risk Categorization:	Low		
5. Safeguard Categorization	Environment: FI Involuntary Resettlement: FI-C Indigenous Peoples: FI-C		
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		200.000	
Sovereign Development financing institution (DFI) (Concessional Loan):		200.000	
Ordinary capital resources			
Cofinancing		0.000	
None		0.000	
Counterpart		0.000	
None		0.000	
Total		200.000	
Note: A \$1,000,000 attached technical assistance will be financed on a grant basis by (i) the Financial Sector Development Partnership Special Fund in the amount of \$200,000, and (ii) the Technical Assistance Special Fund (TASF-7) in the amount of \$800,000.			
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to the People's Republic of Bangladesh for the Microenterprise Financing and Credit Enhancement Project. The report also describes proposed technical assistance (TA) for Institutional Strengthening for Microenterprise Financing, and if the Board approves the proposed loan, I, acting under the authority delegated to me by the Board, approve the TA.¹

2. The proposed project will strengthen microfinance in Bangladesh by expanding access to finance for unbanked and underbanked microenterprises, especially microenterprises owned by women and those from regions affected by adverse climatic conditions.² The project targets increased access to finance for microfinance institutions (MFIs), which are key lenders to microenterprises. The project will channel funds through Palli Karma Sahayak Foundation (PKSF), a state-owned wholesale microfinance and development organization, which will onlend to its partner MFIs.³ ADB will use the attached TA to help develop a pilot credit guarantee fund (CGF) at PKSF and develop partner MFIs' capacity to enhance women's entrepreneurship skills and promote environmentally responsible microenterprise financing through advisory services for those affected by climate risk.⁴ It builds on previous work by ADB in microfinance, including commercialization and digitalization of microfinance and inclusive insurance as well as providing financial support for microcredit development. The financial intermediary modality is used as it is the most appropriate to achieve the project objectives of (i) expanding microenterprises' access to finance, and (ii) expanding MFIs' sources of funding.

II. THE PROJECT

A. Rationale

3. **Macroeconomy and poverty.** Gross domestic product (GDP) growth in Bangladesh averaged 6.9% from fiscal year (FY) 2011 to FY2019. Because of the coronavirus disease (COVID-19) pandemic, GDP growth slowed to 3.4% in FY2020.⁵ However, the economy expanded 6.9% in FY2021, supported by stimulus packages, recovery in manufacturing and trade, and robust remittance inflows. In 2018 and 2021, the United Nations Committee for Development Policy confirmed that Bangladesh met all criteria to graduate from least-developed country status by 2026. Bangladesh's poverty headcount ratio, measured as the percentage of the population who live on less than \$1.90 a day, declined from 19.2% in 2010 to 14.3% in 2016 to 6.6% in 2019.⁶ However, limited employment opportunities in rural areas have led to persistent economic disparity between urban and rural areas.⁷

4. **Microfinance.** Microfinance is a key growth driver of the economy, generating rural on- and off-farm employment and helping to reduce urban–rural economic disparities. As of FY2020,

¹ Of which (i) \$800,000 will be provided by the Technical Assistance Special Fund (TASF 7) of ADB; and (ii) \$200,000 will be provided by the Financial Sector Development Partnership Special Fund (financing partner: the Government of Luxembourg) and administered by ADB.

² Microenterprises are defined according to asset size and number of employees (footnote 10). Government of Bangladesh. 2016. *Industrial Policy 2016*. Dhaka.

³ MFIs are regulated by the Microcredit Regulatory Authority under the Microcredit Regulatory Act, 2006.

⁴ Advisory services could promote or recommend new technologies, processes, locations, crops, or activities.

⁵ ADB. 2022. *Asian Development Outlook*. Manila.

⁶ [World Bank. 2021. World Bank Open Data](#). Washington, DC (updated poverty estimates 16 March); and ADB (Economic Research and Regional Cooperation Department). 2021. Updated Poverty Estimates. Memorandum. 19 April (internal).

⁷ Bangladesh Bureau of Statistics (BBS) and Statistics and Informatics Division (SID) Ministry of Planning.

the microfinance segment comprised 35.6 million borrowers served by MFIs licensed by the Microcredit Regulatory Authority (MRA) of which 93% are women.⁸ The government's 8th Five-Year Plan (July 2020–June 2025) aims to achieve an 8% average GDP growth rate and strengthen the social security system while eliminating poverty and narrowing inequality.⁹ For rapid poverty reduction, the plan promotes cottage, micro, and small enterprise (CMSEs, or microenterprises) with innovative financial solutions to improve access to commercial sources of credit as well as to develop a credit guarantee scheme to help reduce credit risks for CMSEs.¹⁰ The government established PKSF (para. 8) in 1990 to channel funding to microenterprises through MRA-regulated MFIs, currently numbering more than 750. MFIs are the biggest lenders to microenterprises. Since the COVID-19 pandemic in 2020, the government has implemented various stimulus packages including (i) Tk50 billion for export-oriented industries, (ii) Tk300 billion for working capital loans to affected industries, (iii) Tk200 billion for working capital loans to CMSEs, and (iv) a refinance scheme of Tk50 billion for the agriculture sector.

5. Key challenges to microenterprises. There were 8 million microenterprises as of FY2021, of which about 3.6 million were served by MRA-regulated MFIs. Their biggest challenge is access to finance. Although MFIs are the main external funders to microenterprises, most microenterprises still lack access to MFI funding. Nonfinancial challenges to microenterprises include (i) lack of infrastructure facilities and utilities, (ii) complex regulations, (iii) availability and high price of raw materials, (iv) low financial literacy and entrepreneurship skills impacting value chain development, and (v) high exposure to adverse climate change impacts. Microenterprises in the agriculture sector have relatively low insurance coverage despite being exposed to climate risks based on where they are located. Supply disruptions related to the COVID-19 pandemic further impacted microenterprises' profitability.¹¹

6. Funding sources of microfinance institutions. MFIs source their funding mainly from members' savings, loans from commercial banks, and loans from PKSF.¹² MFIs lack funding to meet demand for credit from microenterprises. On average, even the bigger MFIs source only 20%–30% of their funding from commercial banks while small to medium-sized MFIs still have very low access to commercial bank funding.¹³ Low access to commercial funding is due to (i) the small size of most MFIs' operations, having little or no collateral, and weak operational capacity and management information systems; and (ii) commercial banks' perception of MFIs as high credit risk, resulting in heavy reliance on collateral for lending operations.¹⁴ Increased funding from commercial banks helps MFIs build liquidity, diversify funding, and improve operations.

7. Credit risk mitigants for microfinance institutions. MFIs' credit risk can be reduced through credit mitigation instruments like partial credit guarantees. A partial credit guarantee

⁸ MRA. 2020. Annual Report. *Dhaka: Borrowers are individuals and microenterprises*. Dhaka.

⁹ Government of Bangladesh, Planning Commission. 2020. [8th Five-Year Plan July 2020–June 2025: Promoting Prosperity and Fostering Inclusiveness](#). Dhaka.

¹⁰ The National Industrial Policy of 2016 defines a cottage enterprise as a business entity with fixed assets of less than Tk1 million excluding land and buildings, or with up to 15 employees for the manufacturing sector; and a microenterprise as a business entity with fixed assets of less than Tk1 million and up to 15 employees for the services sector, or with fixed assets of Tk1 million–Tk7.5 million or 16–30 employees for the manufacturing sector. Economic Analysis (accessible from the list of linked documents in Appendix 2).

¹¹ MicroSave Consulting. 2020. [Impact of COVID-19 Pandemic on Micro, Small and Medium Enterprises \(MSMEs\), Bangladesh Report](#).

¹² MRA. 2019. [NGO-MFIs in Bangladesh, June 2019](#). Dhaka.

¹³ MRA. 2020. [NGOs-MFIs in Bangladesh, June 2020](#). Dhaka.

¹⁴ Interviews with commercial banks suggest banks' lending to MFIs is concentrated on large MFIs with outstanding loans of Tk1 billion or more. Using a portfolio-level approach from a sample of 10 microenterprises, 3.66% of their funding came from commercial banks in FY2020.

covers a commercial bank lender against default on part of the principal amount of its loan to an MFI. This gives commercial banks an incentive to finance MFIs. There are two risk mitigation schemes in Bangladesh for MFIs: the Bangladesh Bank's credit guarantee scheme and ADB's Private Sector Operations Department (PSOD) risk participation program.¹⁵ The former targets loans to small and medium-sized enterprises. PSOD's scheme is targeted at microenterprises, but the scheme covers MFIs with larger share of the microenterprise market. There is room for other institutions to provide partial credit guarantees to small, medium-sized, and large MFIs because MFIs require more funding from commercial banks. Partial credit guarantees would benefit MFIs with less access to commercial bank funding and without sizeable collateral. This program will complement PSOD's risk participation program and support MFIs with limited access to commercial bank funding.

8. **Palli Karma Sahayak Foundation.** PKSF was set up to help the poor gain access to resources for productive self-employment, undertake income-generating activities, and engage with partner MFIs to facilitate lending to microenterprises. As of FY2021, PKSF has 187 active partner MFIs, with geographical reach to all 8 divisions of Bangladesh.¹⁶ PKSF provides wholesale loans to MFIs through subsidized financing.¹⁷ In addition, it provides institutional development support to MFIs to help them scale up over time into larger institutions; such support includes capacity building in all key areas of MFIs' lending and collection functions, which enables MFIs to provide support to microenterprises in value chain financing. ADB has extended two financial intermediary loans of \$50 million each in 2018 and 2020 to PKSF under ADB's Microenterprise Development Project (2018) and its additional financing (2020), both of which PKSF has successfully implemented (para. 17).¹⁸

9. **Funding sources of Palli Karma Sahayak Foundation.** PKSF's funding sources are loans and grants from the government, and loans and grants from development finance institutions (DFIs) through the government.¹⁹ Funding from FY2020 to FY2025 includes DFI funding. PKSF needs to increase its volume of funding in both medium and long term and increase the number of funding sources. PKSF can leverage borrowings from ADB and other DFIs to mobilize funds from commercial sources. Although funding from commercial sources will carry higher interest rates, such funding will help PKSF diversify and improve the sustainability of its funding base. In addition, digitalization could reduce operational costs supporting long term sustainability of PKSF.

10. **Further institutional strengthening at Palli Karma Sahayak Foundation and partner microfinance institutions.** ADB's diagnostic review for PKSF's institutional strengthening in 2019 made recommendations that included enhancing institutional and operational risk management, financial reporting, management information systems, internal audit and control, and long-term financing strategies.²⁰ Since the 2019 diagnostic review, PKSF has made significant progress in strategic planning, developing medium-term funding plans and management information systems that provide a sound basis for expanding its product base. PKSF's financial management risk was rated *moderate* under the Microenterprise Development

¹⁵ ADB. [Microfinance Program](#).

¹⁶ Active MFIs are those who are currently receiving finance from PKSF.

¹⁷ Memorandum and Article of Association of Palli Karma Sahayak Foundation. 1990.

¹⁸ ADB. 2018. [Bangladesh: Microenterprise Development Project](#); and ADB. 2020. [Additional Financing: Microenterprise Development Project in Bangladesh](#). Manila.

¹⁹ Funding as of FY2021 is 67.27% from government grants and retained earnings. Loans from the Government of Bangladesh were at 20.02% within the borrowing mix as of FY2021. ADB is the largest lender among the DFIs, with 43.65% of all long-term borrowings as of FY2021, and International Development Association with 20.86%.

²⁰ ADB. 2020. [Capacity Development for Microenterprise Development](#). Consultant's report. Manila.

Project and its additional financing programs in 2018 and 2020. ADB's medium-term recommendations for PKSf were to (i) strengthen and improve PKSf's operational processes, and (ii) expand risk management and internal audit. PKSf has addressed most of the recommended actions and is on track to achieve the rest. PKSf's operations would also benefit from greater digitalization and diversification of its funding base. For MFIs, ADB's medium-term recommendations were to improve financial reporting and business processes.

11. **Partial credit guarantee issuance by Palli Karma Sahayak Foundation.** With its strong financial metrics in terms of capital, profitability, liquidity, and asset quality, and its track record as an experienced wholesale microfinance lender to many MFIs, PKSf is well-positioned to issue credit risk mitigation products. As such, partial credit guarantees issued by PKSf would be well-received by commercial banks.²¹ This is aligned with PKSf's plans to diversify its product suite.

12. **Proposed solution.** It is aligned with strategic objectives 1 and 2 of the country partnership strategy for Bangladesh, 2021–2025 of the Asian Development Bank (ADB) and with ADB's Strategy 2030 operational priorities 1: Addressing remaining poverty and reducing inequalities, 2: Accelerating progress in gender equality, 3: Tackling climate change, building climate and disaster risk resilience, and enhancing environmental sustainability and 6: Strengthening governance and institutional capacity.²²

B. Project Description

13. **Impact and outcome.** The project is aligned with the following impact: on-farm and off-farm jobs created through institutional and financial support to cottage, micro, and small enterprises (CMSEs or microenterprises) (footnote 9). The project will have the following outcomes: (i) microenterprises' access to MFI financing increased and (ii) commercial sources of funding to MFIs for microenterprise financing increased.²³

14. **Output 1: Palli Karma Sahayak Foundation funding to microfinance institutions for microenterprise financing expanded.** The project will provide a long-term loan to the Finance Division, Ministry of Finance (MOF), which will relend to PKSf for further onlending to partner MFIs for value chain financing of microenterprises, increasing PKSf's available funds for lending. Eligible partner MFIs must earmark at least 10% of their loan portfolios to member microenterprises from high climate risk regions of the country.²⁴ Further, at least 40% of the MFIs will represent poorer areas.²⁵ For each subproject, microenterprises will invest 20% of their own funds, while MFIs will lend 80% from ADB loan funds obtained from PKSf.²⁶ The project will focus on women's economic empowerment, with a target reach of at least 80% of microenterprise borrowers being owned or led by women. The project will institute climate change and disaster risk screening for subprojects, especially in agriculture, livestock, poultry, aquaculture, and manufacturing. Advisory services will be provided for those with identified significant risks to ensure that the borrowers are informed of the climate and disaster risks and will take appropriate steps to address these. To further strengthen the capacity of partner MFIs to provide guidance on

²¹ Refer to Financial Analysis (accessible from the list of linked documents in Appendix 2).

²² ADB. 2021. *Country Partnership Strategy: Bangladesh, 2021–2025—Sustain Growth, Build Resilience, and Foster Inclusion*. Manila.; and ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

²³ The design and monitoring framework is in Appendix 1.

²⁴ Eligibility criteria in paras. 15-17 in the Project Administration Manual (PAM).

²⁵ Poorer areas are defined as those areas where poverty rate is at a minimum of 18%.

²⁶ Subprojects include crop cultivation, livestock, fish culture, retail shops, restaurants, and small-scale manufacturing.

climate and disaster risk screening and advisory services, the proposed transaction TA will build the capacity of partner MFIs, further described in output 3 (para. 16).

15. Output 2: Commercial sources of funding to microfinance institutions for microenterprise financing increased. The project will support establishing a pilot CGF at PKSF using 10% of the loan proceeds to cover a portion of credit risk for commercial banks that fund PKSF's partner MFIs. The proposed CGF will offer partial credit guarantees with a claims cap.²⁷ The transaction TA will develop the detailed structure of the CGF, including capital and guarantee structure, business processes, reporting, management information system, operating guidelines, and manuals.²⁸ Eligible criteria for participating commercial banks and MFIs for the CGF have been specified in the project administration manual (PAM). It is required that a minimum of 50% of guarantees under the CGF will be for MFIs in which 30% or fewer of outstanding loans in the previous financial year were from commercial banks, while the remaining 50% may be for MFIs with more than 30% commercial bank funding.²⁹ The proposed CGF will complement PSOD's Microfinance Program by targeting small and medium-sized MFIs with limited access to commercial bank funding.

16. Output 3: Palli Karma Sahayak Foundation's and partner microfinance institutions' institutional capacity and viability enhanced. The attached TA will (i) build the capacity of PKSF and make it more market-oriented, in parallel with the development and implementation of the recommendations made in the institutional strengthening plan (para. 10); (ii) develop a socially and gender-inclusive business plan update and a digital transformation roadmap for PKSF; (iii) develop institutional strengthening plans for MFIs; and (iv) conduct a diagnostic review of partner MFIs' operational cost structures to enhance their respective viabilities, which will help identify digitalization initiatives that could potentially lower operational costs significantly and improve turnaround times at both PKSF and partner MFIs. Furthermore, the attached TA will facilitate capacity building of partner MFIs on environmental and social safeguards, climate and disaster risk management, and women's entrepreneurship skills development as part of value chain development.

C. Value Added by ADB

17. The project builds on initial financing of \$50 million provided to PKSF through ADB's Microenterprise Development Project in 2018 and additional financing of \$50 million in 2020 (to scale up ongoing projects and help restore the economic activities of microenterprises severely impacted by COVID-19) (footnote 18), and the attached TA for Capacity Development for Microenterprise Development.³⁰ The Microenterprise Development Project had a successful closure in 2020 while its additional financing had disbursed \$47.3 million in subloans to 94 MFIs as of June 2021.³¹ The additional financing under the Microenterprise Development Project is *on track* for achieving its gender targets.³² It was designed with output targets with a minimum

²⁷ Total amount that can be claimed by a commercial bank if or when borrowers default on loans supported by a CGF.

²⁸ PKSF's memorandum and article of association permits the establishment of this type of guarantee fund.

²⁹ Detailed eligibility criteria of participating commercial banks and partner MFIs for CGF is in the PAM (accessible from the list of liked documents in Appendix 2); and ADB. [Microfinance Risk Participation and Guarantee Program](#).

³⁰ ADB. 2020. TA 9652-BAN: Capacity Development for Microenterprise Development-Increase in TA Amount, Minor Changes in Scope and Implementation Arrangements, and Extension of Completion Date. Memorandum. 10 December (internal).

³¹ PKSF has about 300-member partner MFIs as of FY2021, including 187 active MFIs (73 large, 28 medium, and 86 small). MFIs collectively serve 14.42 million members of which 91% are women, and 10.95 million borrowers, of which 91% are women.

³² MABS & J Partners. 2021. [Audited Project Financial Statements: Bangladesh: Microenterprise Development Project—Additional Financing](#). Dhaka.

percentage of female borrowers and ensuring representation of MFIs which represents microenterprises representing climatically adverse and poor regions which were areas for improvement as learnt under these interventions. The project also builds on additional work done by ADB in microfinance, including work to commercialize microfinance, develop inclusive insurance, digitalize microfinance, and provide support for microfinance under the Supporting Post COVID-19 Small-Scale Employment Creation Project.³³ The project also continues ADB's efforts to increase access to microfinance by microenterprises, including subborrower groups in the agriculture sector, under sovereign and PSOD operations (footnote 15).

18. In addition to supporting the objectives of previous ADB interventions, the loan will (i) fund the expansion of both PKSF and MFIs and spur microenterprise development by expanding the availability of funds; (ii) promote a market-oriented approach for PKSF through both funding and product diversification via innovative financing mechanisms like credit guarantees; (iii) build the capacity of MFIs, commercial banks, and PKSF to issue, accept, and manage credit guarantees; (iv) ensure inclusive coverage of microenterprise borrowers through gender- and sector-based eligibility criteria for MFIs; (v) help build capacity of MFIs to screen and monitor climate impacts of regions where subprojects are based (schedule 4 of the PAM); (vi) build the institutional capacity and viability of PKSF and MFIs through socially and gender-inclusive business plans, a gender-responsive risk management framework,³⁴ MFI cost diagnosis, and support for MFI institutional development plan implementation; and (vii) improve women microentrepreneurs' access to formal financial services through support for financial literacy, entrepreneurship skills, and digital financial services. Implementation of the credit guarantee fund will be achieved in collaboration with PSOD's Microfinance Program.

19. The project will be implemented simultaneously with the World Bank's Sustainable Enterprise Project as well as the International Fund for Agriculture Development's Promoting Agricultural Commercialization and Enterprise Project.³⁵ The proposed modality which is a financial intermediation loan with a credit guarantee component is expected to create synergies with current development partner initiatives.

D. Summary Cost Estimates and Financing Plan

20. The project is estimated to cost \$200 million (Table 1). The government has requested a concessional loan of \$200 million from ADB's ordinary capital resources to help finance the project. The loan will have a 25-year term, including a grace period of 5 years; an interest rate of 2.0% per year during the grace period and thereafter; and such other terms and conditions set forth in the draft loan and project agreements. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

21. The project's climate risk classification is *low* based on its planned outputs. Nonetheless, the project team recognizes that many microenterprises (ultimate project beneficiaries) are at risk from climate change impacts. The project will support capacity building of partner MFIs in climate and disaster risk screening and climate and disaster risk management advisory services (output 3) and will promote integration of climate and disaster resilience-related measures in selected

³³ ADB. [Bangladesh: Developing Inclusive Insurance Sector Project](#); ADB. [Bangladesh: Small and Medium-Sized Enterprise Development Project](#); ADB. [Bangladesh: Second Small and Medium-Sized Enterprise Development Project](#); and ADB. [Bangladesh: Supporting Post COVID-19 Small-Scale Employment Creation Project](#).

³⁴ This refers to gender-responsive elements within the design of the entrepreneurship program.

³⁵ Sector Assessment (Summary): Finance (Inclusive Finance) (accessible from the list of linked documents in Appendix 2).

climate vulnerable regions (output 1). These activities will contribute to climate adaptation and are estimated to account for at least \$91,000,000 (45% of total project finance).³⁶

Table 1: Summary Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (concessional loan)	200.0	100.0
Total	200.0	100.0

Source: Asian Development Bank estimates.

Table 2: Cost Estimates by Expenditure Category

Item	Total Cost (\$ million)	Share of Total (%)
Credit Line ^a	180.0	90.0
Credit Guarantee Fund	20.0	10.0
Total Project Cost	200.0	100.0

^a The microenterprise borrowers are required to contribute at least 20% of the total investments from their own sources. Source: Asian Development Bank estimates.

1. Credit Line

22. **Relending (government to Palli Karma Sahayak Foundation).** The government will relend the ADB loan proceeds to PKSF in local currency at the terms and interest rate determined by the government. The government will bear the foreign exchange risk.

23. **Onlending (from Palli Karma Sahayak Foundation to microfinance institutions).** PKSF will onlend to MFIs to finance eligible microenterprise borrowers.³⁷ Onlending rates from PKSF to partner MFIs will be based on the total outstanding loan amounts of the latter, with MFIs categorized as small, medium, or large based on their total loans outstanding.³⁸ PKSF's loans to MFIs will have maturity of 3 years, including a grace period of 6 months.

24. **Sublending (from microfinance institutions to subborrowers).** MFIs' sublending rate to microenterprise borrowers shall be within the regulatory limit as defined by MRA. Under the attached TA, the project will conduct MFI cost diagnosis to review MFIs' cost structures and will recommend to partner MFIs how to reduce operating costs to improve price competitiveness. The maximum subloan size is Tk5 million. For a first-time borrower, the maximum subloan size is Tk100,000. Subloans will have up to 2 years maturity with flexible repayment schedules subject to microenterprise borrowers' cash flow.

25. **Revolving fund (at Palli Karma Sahayak Foundation).** The loans lent by PKSF to eligible partner MFIs (subloans) once repaid to PKSF, will be maintained at a microenterprise fund account to be established at PKSF. PKSF will onlend repaid funds to MFIs at the same onlending terms and conditions for the duration of the project.

2. Credit Guarantee Fund

26. **Disbursement of credit guarantee fund.** ADB will make the disbursements against guarantee agreements signed by PKSF and commercial banks as per ADB approval criteria once

³⁶ Details are in Climate Change Assessment (accessible from the list of linked documents in Appendix 2).

³⁷ Project Administration Manual, paras. 15–17 (accessible from the list of linked documents in Appendix 2).

³⁸ PKSF lends at 7.5% to large MFIs; 6.0% to medium MFIs; and 5.0% to small MFIs. These rates are subject to change in accordance with PKSF lending policy as approved by its governing body.

the CGF operations manual, processes, and systems have been established at PKSF to the satisfaction of ADB.³⁹ PKSF will be required to maintain the CGF funds in a separate account that will be monitored by a credit guarantee unit established within PKSF and subject to an annual audit. Claims made on partial credit guarantees issued will be made from the CGF account upon receipt of a claim, subject to claim verification and endorsement by PKSF.⁴⁰ At project completion, PKSF will be given the option to (i) retain the disbursed amount in the CGF account to continue CGF operations or (ii) convert the CGF account balance to credit line fund for microenterprise loans to MFIs. This will be agreed upon at least 3 months before project completion between the Financial Institutions Division (FID) of the MOF, PKSF, and ADB based on the satisfactory performance of the pilot CGF and PKSF's financial management, and PKSF's compliance with covenants.

E. Implementation Arrangements

27. The FID of the MOF will be the executing agency and PKSF will be the implementing agency. The government will form a project steering committee comprising representatives of the Economic Relations Division, Finance Division, FID of MOF, PKSF, and other relevant stakeholders. A project implementation unit will be established at PKSF; it will be led by a project coordinator with at least five full-time staff whose qualifications are satisfactory to ADB. Implementation arrangements are summarized in Table 3 and described in detail in the PAM.⁴¹

Table 3: Implementation Arrangements

Aspects	Arrangements
Indicative implementation period	December 2022–December 2027
Indicative completion date	December 2027
Management	
(i) Oversight body	Project steering committee Senior secretary/secretary of Financial Institutions Division (FID), Ministry of Finance (chair) Economic Relations Division representative (member) Finance Division representative (member) FID representative (member) Palli Karma Sahayak Foundation (PKSF) representative (member) Other relevant stakeholders (members)
(ii) Executing agency	FID of MOF, Government of Bangladesh
(iii) Implementing agency	PKSF
(iv) Implementation unit	The project implementation unit will include a director and at least five full-time staff.
Disbursement	The loan proceeds will be disbursed following the Asian Development Bank (ADB) <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB. An advance account will be used.

ADB = Asian Development Bank, FID = Financial Institutions Division, MOF = Ministry of Finance, PKSF = Palli Karma Sahayak Foundation.

Source: Asian Development Bank.

III. ATTACHED TECHNICAL ASSISTANCE

28. The attached TA for Institutional Strengthening for Microenterprise Financing will support the implementation of the project. The attached TA will (i) develop and pilot the CGF; (ii) develop PKSF's and partner MFIs' operational capacity; (iii) promote partner MFIs' price competitiveness

³⁹ Project Administration Manual, Section F(ii) Diagram, paras. 32–36 and 65.

⁴⁰ Claim submission and verification will be described in CGF operational guidelines.

⁴¹ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

through cost diagnosis; (iv) facilitate partner MFIs' entrepreneurship development training of women microenterprise borrowers; and (v) ensure environmentally responsible microenterprise financing by promoting climate risk adaptation and mitigation measures in relevant microenterprise business clusters.⁴² These will be achieved under output 2 and output 3 (refer to paras. 15 and 16).

29. ADB will administer the TA. ADB's South Asia Department will select, supervise, and evaluate the consultants. ADB will procure consulting services following the ADB Procurement Policy (2017, as amended from time to time) and the staff instructions for ADB-administrated consultants. The TA is estimated to cost \$1,000,000, of which \$800,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 7); and \$200,000 will be financed on a grant basis by the Financial Sector Development Partnership Special Fund.⁴³ The government through PKSF will provide counterpart support in the form of counterpart staff, secretarial and logistical assistance, and other in-kind contributions.

IV. DUE DILIGENCE

A. Technical

30. A key challenge for microenterprises is high exposure to adverse climate change impacts, exacerbated by microenterprises' low access to insurance and funding. The project will implement climate and disaster risk screening for regions where subprojects are located and climate and disaster risk management advisory services for microenterprises (subborrowers) to assist financed microenterprises in identifying and adopting potential adaptation and mitigation measures. The project also supports the establishment of a pilot CGF to link the private sector to microenterprise financing, and the development of a digital transformation road map for PKSF to digitize the operations of PKSF and partner MFIs' operations.

B. Economic and Financial Viability

31. **Unmet financial demand by microenterprises.** This is estimated at Tk784.77 billion (about \$9.21 billion).⁴⁴ The project targets that, by December 2027, PKSF's partner MFIs' microenterprise borrowers will increase by 100,000, while loans from PKSF's partner MFIs to microenterprises will reach Tk27 billion by December 2027. It is assumed that average employment per microenterprise is estimated at 1.98 persons, including household members.⁴⁵

32. **Palli Karma Sahayak Foundation's financial viability.** PKSF's return on assets was 2.85% and return on equity was 4.27% in FY2020. A marginal decline was observed in both metrics because of the pandemic. PKSF's asset quality is satisfactory, with the portfolio-at-risk at 3.6% in 2020. PKSF's financial viability will improve with increased efficiencies led by digitalization to reduce its cost structure, expand its lending portfolio, and sustainably increase interest income. In addition, non-fund-based products like partial credit guarantees will improve fee income. The attached TA will help develop PKSF's strategy to secure sustainable funding.

33. **PKSF's partner microfinance institutions' financial viability.** Service charges on loans comprise 90% of MFIs' total income. The operational self-sufficiency of selected MFIs ranged

⁴² Attached Technical Assistance Report (accessible from the list of linked documents in Appendix 2).

⁴³ Established by ADB. Financing partner: the Government of Luxembourg.

⁴⁴ Economic Analysis (accessible from the list of linked documents in Appendix 2).

⁴⁵ A baseline and impact assessment survey of microenterprises' employment generation will be conducted.

from 101.5% to 149.9% in 2020.⁴⁶ Post-pandemic, MFIs experienced significantly decreased interest incomes, and a decrease in net interest margin and profitability. To improve partner MFIs' financial viability, the attached TA will recommend measures to improve operational efficiency and cost control. The TA will also provide training to enhance MFIs' operational capacity.

C. Sustainability

34. The sustainability of MFIs' microenterprise financing is contingent on MFIs' ability to access commercial sources of funding. Pre-pandemic, MFIs' borrowings from commercial banks had been gradually increasing, from Tk51 billion in 2014 to Tk211 billion (23% of total MFI funding) in 2019. However, it is mainly large and very large MFIs that can access commercial sources of funding, which comprises 5% of the overall MFI population.⁴⁷ To enhance MFIs' overall sustainability, the project's pilot CGF is designed to help MFIs access commercial sources of funding by sharing commercial banks' credit risks in financing MFIs.

D. Governance

35. PKSF is governed by a general body consisting of a maximum of 25 members.⁴⁸ ADB requirements and policies on financial management, procurement, and environmental and social safeguards were discussed and agreed with the government and PKSF and incorporated in the project design. Direct procurement of goods, works, or non-consultancy services is not expected under the loan. Any procurement undertaken by the individual beneficiaries will be done using established private sector and commercial practices in accordance with the ADB Procurement Policy (2017, as amended from time to time).

36. ADB conducted a financial management assessment of PKSF in 2021 to update the assessment conducted for the additional financing of the Microenterprise Development Project in 2020⁴⁹ and the findings from a diagnostic review for the PKSF Institutional Strengthening and Financing Strategy conducted in 2019.⁵⁰ The overall financial management risk was retained at *moderate* while three additional entity-specific risks, five separate-project risks, and two same-project risks but with escalated risk ratings (escalated risk ratings are due to a different set of sample MFIs being used, including small and medium-sized MFIs that have more institutional and operational risks compared with large MFIs) were identified.

37. Integrity due diligence was conducted on PKSF, its board of directors, and key senior management and no significant risks were identified.⁵¹ ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the MOF's FID and PKSF. The specific policy requirements and supplementary measures are described in the PAM and in the risk assessment and management plan (accessible in the list of linked documents).

⁴⁶ Operational self-sufficiency is equal to interest, fee and commission income divided by total costs.

⁴⁷ MRA. 2021. *Annual Report*. Dhaka.

⁴⁸ The Government of Bangladesh nominates 15 members, including the chair. Annual Report of PKSF, 2020.

⁴⁹ ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Additional Financing of the Microenterprise Development Project*. [Supplementary Financial Management Assessment](#) (accessible from the list of linked documents in Appendix 2). Manila.

⁵⁰ ADB. 2020. [Bangladesh: Capacity Development for Microenterprise Development](#). Manila (TA 9652-BAN, attached to the Microenterprise Development Project).

⁵¹ ADB. 2003. *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila.

E. Poverty, Social, and Gender

38. The project will provide economic opportunities and employment generation, especially for the rural population, including women. The project focuses on increasing MFIs' capacity to conduct microenterprise financing focused on women. The project aims to reach at least 100,000 microenterprise borrowers, of which at least 80% are women, by 2025. PKSf has developed gender-inclusive microenterprise finance operational guidelines for partner MFIs, and the project will operationalize these guidelines to ensure MFIs can successfully lend to women entrepreneurs. Socially and gender-inclusive approaches will be integrated in the PKSf business plan update to ensure that benefits accrue to women microenterprise borrowers.⁵² In addition, the project will conduct entrepreneurship skills training for at least 60,000 women microentrepreneurs, which will help value chain development. The project will support partner MFIs to achieve their socially and gender-inclusive targets through a PKSf focal assigned for the project, as well as a TA consultant (national microenterprise institutions specialist).

F. Safeguards

39. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follow:⁵³

40. **Environment (category FI), involuntary resettlement (category FI-C), indigenous peoples (category FI-C).** Partner MFIs will not finance subprojects with involuntary resettlement impacts (category A or B), indigenous peoples⁵⁴ impacts (category A or B), or significant environmental impacts (category A). For subprojects with environmental impacts that are not significant (category B), partner MFIs in coordination with the subborrower and the national TA consultant will prepare an initial environmental examination and environmental management plan for approval by PKSf.

41. PKSf has adopted an environment and social safeguard policy and established its Environment and Climate Change Unit in 2021, which has an updated environmental and social management system (ESMS), as agreed with ADB. PKSf's ESMS focal for the project will monitor and report to ADB on the status of ESMS implementation on an annual basis until a project completion report is issued. The attached TA will strengthen PKSf's capacity in implementing the ESMS. PKSf will (i) facilitate partner MFIs' screening of all subprojects to be financed, to ensure compliance with government regulations, project legal agreements, the PAM, the ESMS, and ADB's Prohibited Investment Activities List; and (ii) exclude all subprojects with category A impacts for environment or category A or B impacts for involuntary resettlement or indigenous peoples.

G. Summary of Risk Assessment and Risk Management Plan

42. Significant risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.⁵⁵

⁵² Socially and gender-inclusive operational targets. May be supplemented by a staff consultant gender specialist.

⁵³ ADB. [Safeguard Categories](#). PKSf will consult with beneficiaries to assess the eligibility of subprojects.

⁵⁴ Groups or population identified as indigenous peoples within the context of ADB's Safeguard Policy Statement will be referred to in this report and recommendation of the President and linked documents as tribes, minor races, ethnic sects, or communities.

⁵⁵ Risk Assessment and Management Plan (accessible from the list of linked documents in Appendix 2).

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Inherent risks. Increasing portfolio- at- risk at PKSf and partner MFIs because of COVID-19.	ADB will support PKSf to strengthen its internal control and risk management processes to ensure that PKSf carries out adequate classification and provisioning. This will be in addition to MRA directives.
Project risks: (i) PKSf's lack of staff experience to implement credit guarantees, and (ii) accounting and financial reporting risks may result in inefficiencies and inconsistencies in implementing and reporting on the CGF operations.	(i) PKSf will establish a new project implementation unit for the project. Technical assistance will support PKSf to develop a credit guarantee fund with appropriate terms and conditions, business plan, operational guidelines, and manuals; (ii) ADB will support partner MFIs of PKSf to improve accounting and financial reporting processes in line with MRA procedures.

ADB = Asian Development Bank, CGF = credit guarantee fund, COVID-19 = coronavirus disease, MFI = microfinance institution, MRA = Microcredit Regulatory Authority, PKSf = Palli Karma Sahayak Foundation.

Source: Asian Development Bank estimates.

V. ASSURANCES AND CONDITIONS

43. The government and PKSf have assured ADB that implementation of the project shall conform to all applicable ADB requirements, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, financial management, and disbursement, as described in detail in the PAM, TA report, and loan documents.

44. The government and the PKSf have agreed with ADB on certain covenants for the project, which are set forth in the loan agreement and project agreement. It is a condition for loan effectiveness that the government and the PKSf enter into a subsidiary loan agreement, in form and substance satisfactory to ADB, pursuant to which the government will make available the taka equivalent of the ADB loan proceeds to the PKSf. No withdrawals shall be made from the loan account for the pilot CGF until (i) an operations manual, which includes governance, technical, and financial monitoring and reporting mechanisms for the CGF, has been developed and approved by ADB and PKSf; (ii) an information system for the management of CGF operations is established; (iii) a project management unit is established within PKSf with dedicated staff for the operation of the CGF; and (iv) the terms and conditions of the guarantee agreement for the CGF have been developed to the satisfaction of ADB. ADB will support the implementation of the pilot CGF with technical assistance and direct involvement of the project team in implementation.

VI. RECOMMENDATION

45. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of \$200,000,000 to the People's Republic of Bangladesh for the Microenterprise Financing and Credit Enhancement Project, from ADB's ordinary capital resources, in concessional terms, with an interest charge at the rate of 2.0% per year during the grace period and thereafter; for a term of 25 years, including a grace period of 5 years; and such other terms and condition's as are substantially in accordance with those set forth in the draft loan and project agreements presented to the Board.

Masatsugu Asakawa
President

24 October 2022

DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with On-farm and off-farm jobs created through institutional and financial support to cottage, micro, and small enterprises (CMSEs or microenterprises) (8th Five-Year Plan, 2020–2025) ^a			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p>Outcome</p> <p>a. Microenterprises' access to MFI financing increased</p> <p>b. Commercial sources of funding to MFIs for microenterprise financing increased</p>	<p>By December 2027:</p> <p>a.1 At least 100,000 new microenterprise borrowers of PKSF's partner MFIs received loans from this project. (Baseline: NA)</p> <p>a.2 At least 80% of the new microenterprise borrowers receiving funds from this project are women. (Baseline: NA) (OP1.3.2, OP2.1.3).</p> <p>a.3 At least 56,000 women are economically empowered by the project. (Baseline: NA) (OP1.3.2, OP2.3.2)^b</p> <p>b.1 Partner MFIs' borrowings from commercial banks for microenterprise loans increased to TK142 billion as a result of the credit guarantee. (Baseline June 2019: Tk48 billion) (OP6.1.2)</p>	<p>PKSF annual reports, executing or implementing agency's project completion report, project impact assessment report</p> <p>TA performance monitoring reports</p>	<p>A: The government's policy change on microfinance may result in conducive microfinance regulations and PKSF operational policies.</p>
<p>Outputs</p> <p>1. PKSF's funding to MFIs for microenterprise financing expanded</p> <p>2. Commercial sources of funding to MFIs for microenterprise financing increased</p>	<p>By December 2027:</p> <p>1a. Total loans to microenterprises from PKSF's partner MFIs from the credit line reached Tk27 billion, of which 80% are for women. (Baseline: NA) (OP1.3.2, OP2.3.2)</p> <p>1b. Additional requirement for PKSF credit line funding adopted where 40% of PKSF partner MFIs' microenterprise borrowers from this project are from poorer areas^c (Baseline: NA) (OP 1.3.2)</p> <p>Under attached TA</p> <p>2a. PKSF CGF for partner MFIs' borrowing from commercial banks established and becomes operational (Baseline: NA)</p>	<p>PKSF annual reports, implementing agency's project and TA performance monitoring reports</p> <p>PKSF annual reports, implementing agency's project and TA performance monitoring reports</p> <p>2a. PKSF annual reports, implementing agency's project and TA performance monitoring reports</p>	<p>R: PKSF's restrictive operational policy change may induce partner MFIs to shift to other sources of funding.</p>

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
3. PKSf's and partner MFIs' institutional capacity and viability enhanced	<p>Under attached TA</p> <p>3a. Financing strategy, socially and gender-inclusive business plan update, risk management framework, and digital transformation road map adopted by PKSf (Baseline: NA) (OP1.2.1, OP6.1.2)</p> <p>3b. Cost reduction recommendations developed through cost diagnosis for at least 98 partner MFIs (Baseline: NA) (OP1.2.1, OP6.1.2)</p> <p>3c. At least 80% of milestones and performance targets of partner MFIs' annual institutional development plans, including socially and gender-inclusive targets, implemented by at least 40 partner MFIs (Baseline: NA) (OP1.2.1, OP6.1.2, OP2.3.2)^d</p> <p>3d. At least 98 partner MFIs acquired skills to conduct women entrepreneurship development training (Baseline: NA) (OP2.3.2)</p> <p>3e. Entrepreneurship skills of at least 60,000 women enhanced^e (June 2019 baseline: NA) (OP1.3.2, OP2.3.2)</p> <p>3f. Knowledge of environmental and social safeguards and climate and disaster risk management enhanced for at least 98 partner MFIs (Baseline: NA) (OP3.2.2, OP6.1.2)</p>	3a.–3f. PKSf annual reports, implementing agency's project and TA performance monitoring reports	<p>R: Disasters triggered by natural hazards may lead to deterioration of MFIs' loan portfolio quality.</p> <p>R: Limited partner MFIs' financial and human resources that constraint implementation.</p>
Key Activities with Milestones			
1. PKSf funding to MFIs for microenterprise financing expanded			
1.1 Disburse PKSf loan to PKSf partner MFIs (Q1 2023–Q4 2027)			
1.2 Review microenterprise loan portfolio performance (Q1 2023–Q4 2027)			
2. Commercial sources of funding to MFIs for microenterprise financing increased			
2.1 Conduct PKSf CGF consultations with partner MFIs and commercial banks (Q1 2023–Q2 2023)			
2.2 Develop PKSf CGF terms and conditions, business plan, operational guidelines, and manuals (Q1 2023–Q3 2023)			
2.3 Launch PKSf CGF (Q3 2023–Q4 2023)			
2.4 Monitor and evaluate PKSf CGF implementation (Q4 2023–Q4 2027)			
3. PKSf's and partner MFIs' institutional capacity and viability enhanced			
3.1 Develop and implement PKSf financing strategy, socially and gender-inclusive business plan update, risk management framework, and digital transformation road map (Q1 2023–Q4 2027)			
3.2 Collect data for cost diagnosis of partner MFIs (Q1 2023–Q4 2027)			

- 3.3 Conduct cost diagnosis for partner MFIs (Q2 2023–Q4 2027)
- 3.4 Provide partner MFIs with cost-reduction recommendations based on cost diagnosis (Q3 2023–Q4 2027)
- 3.5 Review partner MFIs' institutional diagnostic consultation and dissemination (Q3 2023–Q1 2025)
- 3.6 Review partner MFIs' institutional diagnostic review (Q3 2023–Q1 2026)
- 3.7 Develop partner MFIs' institutional development plans (Q4 2023–Q1 2026)
- 3.8 Monitor implementation of partner MFIs' institutional development plans (Q4 2023–Q4 2027)
- 3.9 Develop focused training plan for partner MFIs (Q3 2023)^f
- 3.10 Conduct focused training for partner MFIs (Q4 2023–Q4 2027)
- 3.11 Conduct training of trainers in women entrepreneurship development training (Q1 2024–Q1 2026)
- 3.12 Conduct women entrepreneurship development training for partner MFIs (Q2 2024–Q4 2027)
- 3.13 Conduct training on environment and social safeguards and climate and disaster risk management (Q1 2023–Q4 2027)

Project Management Activities

Hiring of individual consultants, conduct of perception survey, conduct of baseline and impact assessment survey of microenterprises' employment generation, undertake midterm review, and preparation of project completion report

Inputs

Asian Development Bank: \$200 million (concessional ordinary capital resources loan)

Technical Assistance Special Fund (TASF 7): \$800,000 (TA grant)

Financial Sector Development Partnership Special Fund: \$200,000 (TA grant)

In-kind inputs from the government and PKSf

A = assumption, CGF = credit guarantee fund, GESI = gender equality and social inclusion, MFI = microfinance institution; NA = not applicable; OP = operational priority, PKSf = Palli Karma Sahayak Foundation, Q = quarter, R = risk, TA = technical assistance.

- ^a Government of Bangladesh, Planning Commission. 2020. *8th Five-Year Plan, July 2020–June 2025: Promoting Prosperity and Fostering Inclusions*. Dhaka.
- ^b Economic empowerment is defined as achieving at least two of the following criteria as a result of the project: (i) increased knowledge on business and accounting/financial skills; (ii) access to digital platforms (e.g., mobile financial services or e-commerce platforms); (iii) increased household income, as a result of the borrowing; (iv) increased participation in decision making (at the household level: decisions related to household expenditure, child schooling; at community level: participation in credit groups). To measure empowerment, a self-perception survey will be conducted by ADB together with PKSf on a representative sample of women who accessed the credit and participated in project-financed capacity-building initiatives from 2023 to 2025.
- ^c Poorer areas are defined as those areas where poverty rate is at a minimum of 18%.
- ^d GESI-related activities in partner MFIs' development plans may include developing socially and gender-inclusive annual business plans; developing GESI policies; strengthening staff capacity in the implementation of transformative GESI-relevant operations; institutionalizing GESI-related training for microenterprises owned or led by women (including financial literacy, business development, and entrepreneurship development). GESI-related indicators in partner MFIs' development plans may include targets for outreach to and capacity development of women entrepreneurs and targets for the development of in-house GESI capacities of MFIs' staff.
- ^e Women's entrepreneurship skills refer to women's knowledge and skills on business development and planning, enterprise registration, taxation, marketing, accounting, and financial literacy, among others.
- ^f Partner MFIs' training plans will be developed based on the results of the institutional diagnostic review and are likely to include GESI-responsive strategies and business plan development, microenterprise credit appraisal, asset and liability management, risk management, management information systems, and core banking system application.

Contribution to Strategy 2030 Operational Priorities

Expected values and methodological details for all OP indicators to which this operation will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2).

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=51269-003-3>

1. Loan Agreement
2. Project Agreement
3. Sector Assessment (Summary): Finance (Inclusive Finance)
4. Project Administration Manual
5. Financial Analysis
6. Economic Analysis
7. Summary Poverty Reduction and Social Strategy
8. Risk Assessment and Risk Management Plan
9. Contribution to Strategy 2030 Operational Priorities
10. Attached Technical Assistance Report
11. Climate Change Assessment
12. Gender Action Plan
13. Financial Intermediary: Environmental and Social Management System Arrangement

Supplementary Documents

14. Financial Management Assessment Report
15. Palli Karma Sahayak Foundation and Partner Organizations: Financial Due Diligence Report