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ASIAN DEVELOPMENT BANK

**PROPOSAL FOR FUNDING  
WOMEN ENTREPRENEURS FINANCE INITIATIVE  
(We-Fi)**

Enabling an empowering business environment for women  
entrepreneurs in Sri Lanka

Submitted to Secretariat: December, 15 2017

## PROPOSAL FOR FUNDING WOMEN ENTREPRENEURS FINANCE INITIATIVE (We-Fi)

The objective of the Women Entrepreneurs Finance Initiative (We-Fi) is to address financial and non-financial constraints faced by women-owned/led small and medium enterprises (SMEs) in IDA and IBRD eligible countries and territories. The We-Fi aims to achieve this by mobilizing more than \$1 billion in commercial and international financial institution (IFI) finance for entities that provide women entrepreneurs with access to debt, equity, venture capital, insurance products, capacity building, networks and mentors, and opportunities to link with domestic and global markets; and for governments to improve the business environment for women-owned/led SMEs.

**Date of Submission to the Secretariat** December 15, 2017

### PART I: General Information

Note: Proposals should not exceed 50 pages.

#### A. Program Name

Enabling an empowering business environment for women entrepreneurs in Sri Lanka
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#### B. Implementing Partner

<b>Organization and Address:</b> Asian Development Bank, 6 ADB Avenue, Mandaluyong City 1550 Metro Manila, Philippines	
<b>Contact Person:</b> (i) Amanda L. Tan, Financial Sector Specialist (ii) Donald Lambert, Principal Finance Specialist (iii) Keiko Nowacka, Social Development Specialist (Gender and Development)	<b>Email:</b> (i) <a href="mailto:altan@adb.org">altan@adb.org</a> (ii) <a href="mailto:dlambert@adb.org">dlambert@adb.org</a> (iii) <a href="mailto:knowacka@adb.org">knowacka@adb.org</a>

#### C. Type of Program:

☐ Private Sector
 ☐ Public Sector
 ☒ Both

#### D. Funding Request from We-Fi

	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)	Total (2018–2020)
<b>Total Requested from We-Fi</b>	\$3.7978 mil	\$8.070 mil	\$0.684mil	<b>\$12.5518 mil</b>

Note: The disbursement projections are on a calendar year basis and are based on a confirmed ADB project as of the time of application. The funding request includes a 7% management fee on the subcomponents of the project, and 10% contingencies on the non-lending components of the project.

**Intended beneficiary countries.** We-Fi can finance projects in countries and territories that are eligible to receive funding from the International Bank for Reconstruction and Development (IBRD) and/or the International Development Association (IDA), including through trust funds administered by the World Bank. Proposals are encouraged to consider activities that will reach low-income and fragile countries, and underserved populations in other contexts (for instance in remote or poor areas or refugee populations in middle income countries).<sup>1</sup> Please provide a list

<sup>1</sup> The harmonized list of fragile situations for FY17 is available at the following link:  
<http://pubdocs.worldbank.org/en/154851467143896227/FY17HLFS-Final-6272016.pdf>

of countries and regions where activities are expected to take place, and indicate the proportion of beneficiaries this proposal intends to reach in the following country groupings.

**Country groupings:**

100% Middle Income Countries (IBRD)<sup>2</sup>

0% Low-Income Countries (IDA)

0% of which are in fragile countries

**List of countries and/or regions where activities are expected to take place:**

Sri Lanka: Including to lagging<sup>3</sup> regions.

- E. Mobilization:** Describe the extent to which the program is expected to mobilize private capital or crowd in public funds from government, international financial institutions, bi-lateral donors, or others using the table below.

**Mobilization of funds by ADB.** The proposed program has been designed to maximize leverage and provide sustainable results for women's entrepreneurship in Sri Lanka. \$9.5 million from We-Fi will be leveraged by 3.7x through an additional \$23.2 million of ADB investments and private sector investments estimated to reach an additional \$2.1 million (See Table 1).

ADB investments in women-owned/led businesses will crowd in an additional \$23.2 million to reduce the barriers to access to finance faced by women entrepreneurs in Sri Lanka. The We-Fi grant will accompany an ADB Small and Medium-Sized Line of Credit Project in Sri Lanka, which commenced in 2016 and was processed for additional financing. The second phase of this project, expected to start in 2018 and to be completed in 2020, will see additional financing of \$75 million dedicated to credit lines to 10 participating financial institutions which onlend to targeted subgroups of SME borrowers, including women, and take into account specific needs and constraints in lagging regions of Sri Lanka. This We-Fi proposal will build on the 2016 project experience, which had already set targets for women and underserved populations, and will enhance capacity development to create an enabling environment for women entrepreneurs.

ADB's total project cost for calculation of the leverage from the mobilization of We-Fi funds is \$37.8518 million taking into account We-Fi funds that would be used for grant support for principal paydown, and for technical assistance to build the capacity of government agencies, civil society organizations, and women entrepreneurs. Thus, the total project cost used would result in a leverage of 3.0x.

**Crowding in private sector investments.** The We-Fi funded SME credit line program in Sri Lanka is expected to crowd in additional private sector investments of up to \$2.1 million in favor of We-Fi. By 2019, participating banks, as mandated by regulatory requirements, are expected to maintain 12.5% in total risk-weighted capital ratio. More specifically, the risk weight on SME loans is 75%. As such, participating financial institutions would have to set aside \$0.09 of their capital for every \$1 of lending to women-led borrowers even if they receive funds from We-Fi. Thus, for

<sup>2</sup> Sri Lanka graduated from IDA assistance at the end of FY2017, but will receive transitional support on an exceptional basis through the IDA18 period (FY2018-2020). Source: World Bank Group. 2017. IDA: Borrowing Countries. <http://ida.worldbank.org/about/borrowing-countries>

<sup>3</sup> Lagging regions are Sri Lankan regions within provinces that contribute the least to GDP, have a low GDP per capita and a higher poverty rate when compared to other regions. These have been identified as Uva, Sabaragamuwa, Northern and the Eastern provinces.

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\$23.2 million of credit to women entrepreneurs, financial institutions are estimated to set aside \$2.1 million as capital requirement.

**Table 1: Mobilization of We-Fi Funds**

Financial instruments (grants, loans, equity)	We-Fi Investment Requested	IP Investment Expected	Private Investment Expected	Bi-lateral Donor Investment Expected	Government Investment Expected	Total Project Cost
<b>Component 1: Improving access to finance</b>	\$9.5 million	\$23.2 million	\$2.1 million <sup>a</sup>	0	0	\$34.8 million
<b>Expected leverage to We-Fi from Component 1</b>	1	2.4x	0.2x	0	0	3.7x
<b>Total of ADB's We-Fi Proposal</b>	\$12.6 million	\$23.2 million	\$2.1 million <sup>a</sup>	0	0	\$37.9 million
<b>Expected Leverage to We-Fi from Total Grant Project</b>	1	1.8x	0.2x	0	0	3.0x <sup>b</sup>

ADB = Asian Development Bank, IP = implementing partner, We-Fi = women entrepreneurs finance initiative.

<sup>a</sup> This represents the estimated \$0.09 per \$1 of credit onlent that Sri Lankan banks are estimated to have set aside based on a capital adequacy requirement of 75% risk-weighted asset small and medium-sized enterprise (SME) loans and a minimum total capital ratio of 12.5%. It does not include the estimated \$17.62 million in equity that would have to be contributed by women-led SME borrowers.

<sup>b</sup> This is the most conservative estimate that assumes all of ADB's line of credit is utilized for the onlending alongside the We-Fi grant with no additional contribution from the PFIs; no loans above the ceiling of \$333,333; and without taking into the estimated \$17.6 million contribution made by women-owned/led SMEs themselves.

Source: Asian Development Bank.

- F. Program Timeline:** Please specify both the overall project and implementation timeline. The end date is the date by which the IP expects to be able to report results for the activities funded by the We-Fi, which should not exceed 7 years from the start date.

<b>Start Date:</b>	June 2018	<b>End Date</b>	December 2020
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Note: The timeline above includes time frame for three disbursements of credit for onlending between July 2018 and July 2019, administrative processes, and the completion of the endline survey of the impact evaluation assessment a year after the final disbursement.

## Part II: Strategic Context

- 1. Program context.** Provide brief information on the specific constraints to women's entrepreneurship the proposed program is aiming to solve. Outline the local, country, regional, and/or global context in which the program will operate, including other players who are active in this area.

Women's economic empowerment in the Asia Pacific boasts important yet unmet potential for driving sustainable inclusive growth.<sup>4</sup> While gender inequalities in key human development areas such as education and health have seen reductions over the past decades, Asia is the only global region to see a stagnating and worsening female labor force participation rate. Women in Asia

<sup>4</sup> ADB. 2015. *Women in the Workforce. An Unmet Potential in Asia and the Pacific*. Manila.

are on average 70% less likely than men to be in the labor force, despite increases in educational attainment with many countries seeing reverse gender gaps.<sup>5</sup> The gains from boosting female labor force participation are significant. Recent ILO estimates indicate that bridging the gender gap in employment between women and men could add US\$ 3.2 trillion to the regional economy.<sup>6</sup>

Entrepreneurship represents an avenue for increasing female labor force participation in Asia—but the region presents a mixed picture. In developing economies in the Asia and the Pacific region, micro, small and medium-sized enterprises (MSMEs) provide significant job opportunities for both women and men.<sup>7</sup> For example, in ASEAN economies 61.3 million women are estimated to own or lead their own business, which represents approximately 10% of the total population of those ten countries.<sup>8</sup> However, there are significant subregional differences: the proportion of formal MSMEs with one or more women owners is 38%–47% in East and South East Asia but drops dramatically to only 8%–9% in South Asia.<sup>9</sup>

The extent to which entrepreneurship is empowering for women remains, however, limited with more female entrepreneurs located at the “survival-oriented income generation” end of the spectrum.<sup>10</sup> As in other areas of the economy, women entrepreneurs face more challenges in accessing resources, networks and opportunities than men, which restricts their ability to start, grow and scale up their businesses: many women-owned/led businesses in the region struggle to transition away from micro-enterprises. Country studies from Bangladesh, Indonesia and Sri Lanka indicate that female-owned/led businesses tend to be less productive than those of men, with the unequal access to resources an important factor.<sup>11</sup> Moreover, their businesses also tend to be micro, small or medium enterprises, hiring fewer employees, more likely to fail, concentrated in the agricultural or informal economies and restricted to domestic rather than international markets.<sup>12</sup> The different characteristics and success rate of women-owned/led businesses from those of men indicate that—at present—entrepreneurship offers women a very limited financial solution within a broader context of unfavorable labor market options for women.

These general characteristics of women’s entrepreneurship in Asia Pacific can be observed in Sri Lanka, the proposed We-Fi program country, albeit with specific contextual challenges. While Sri Lanka’s performance on women’s empowerment, including on women’s entrepreneurship, stands above the South Asia average, it falls well short of equality.<sup>13</sup> Sri Lanka is a newly-graduated IDA borrowing country,<sup>14</sup> which has enjoyed solid economic growth since the cessation of armed

<sup>5</sup> Ibid. Also see ADB. 2015. *Asian Development Outlook 2015 Update, Enabling Women, Energizing Asia*. Manila.

<sup>6</sup> International Labor Organization (ILO). 2017. *World Employment and Social Outlook: Trends for Women 2017*. Other models for gains to the regional economy from reduced gender inequality in the labor market have also estimated GDP growth to be between 30% for South Asia (excluding India) and 48% for East and South-East Asia (excluding China). See J. Woetzel et al. 2015 *The Power of Parity: How Advancing Women’s Equality Can Add \$12 trillion to Global Growth* (McKinsey Global Institute).

<sup>7</sup> ADB. 2014. *Gender Tool Kit: Micro, Small, and Medium-sized Enterprise Finance and Development*. Manila.

<sup>8</sup> UNESCAP. 2017. *Fostering women’s entrepreneurship in ASEAN. Transforming Prospects, Transforming Societies*, p. 8. Manila.

<sup>9</sup> ADB. 2014. *Gender Tool Kit: Micro, Small, and Medium-Sized Enterprise Finance and Development*, p. 2. Manila.

<sup>10</sup> N. Kabeer. 2012. “Women’s economic empowerment and inclusive growth: labour markets and enterprise development”, SIG Working Paper. p. 24.

<sup>11</sup> ADB. 2015. *Women in The Workforce: An Unmet Potential in Asia and the Pacific*. p. 18. Manila.

<sup>12</sup> UNESCAP. 2017 *Fostering women’s entrepreneurship in ASEAN. Transforming Prospects, Transforming Societies*. Manila.

<sup>13</sup> ADB. 2015. *Country Gender Assessment. Sri Lanka. An Update*. Manila.

<sup>14</sup> World Bank Group. <http://ida.worldbank.org/about/borrowing-countries>

conflict in 2009: its GNI per capita has more than doubled in the decade between 2006 and 2016<sup>15</sup> with rates of poverty declining from 15.2% in 2006/7 to 6.5% in 2012/13. Within this context, some key gender indicators show promising trends. The overall health status of women has seen improvements over recent decades (e.g. maternal mortality, life expectancy, access to sexual and reproductive health services), and gender parity has been achieved in primary and secondary education levels.<sup>16</sup> The legal framework, including the 1978 Constitution, guarantees women and men equality under the law and prohibits sex-based discrimination; other legislation and action plans have been enacted to protect women's rights in other social and economic areas.<sup>17</sup> Yet, equality in rights, outcomes and opportunities is still a challenge for women in Sri Lanka. Poor implementation of laws and policies, legal loopholes and discriminatory norms continue to weaken women's rights in practice. For example, women's political representation in Parliament has hovered at 5% during the past two elections.

Gender gaps and inequalities across a range of economic outcomes characterize the Sri Lankan economy. The male labor force participation rate stands at 74.7% while the female labor force participation rate stands at a very low rate of 39.5%.<sup>18</sup> The unemployment rate is also 4.6 percentage points higher for women than for men.<sup>19</sup> Unemployment rates among women with more years of education are also higher than for women with lower levels of education suggesting a skills and labor market mismatch.<sup>20</sup> There is also a significant gender gap in the share of women as contributing (unpaid) family workers: 20.4% of women compared to 3% of men work in this type of vulnerable employment. At the top end of the spectrum, women represent only 6.1% of directors of boards of companies registered in the Colombo Stock Exchange.<sup>21</sup>

Similarly, entrepreneurship has not provided economic empowerment opportunities for women in Sri Lanka. Many female entrepreneurs are concentrated in the informal sector, engaged in low-skilled, low-income, employment without any social protection. While they may have access to microcredit, this has proven insufficient to move such female microenterprises up the value chain and to scale up their businesses.<sup>22</sup> Among SMEs, women comprise just 24.8% (252,915) of the 766,766 entrepreneurs.<sup>23</sup>

These gender inequalities in the economy represent a missed opportunity for Sri Lanka to boost growth as well as equality. At present, SMEs are estimated to account for 53% of GDP. Yet given that many women are excluded or limited in their entrepreneurship potential, this figure could be higher. Capitalizing on entrepreneurship to support economic empowerment of women and inclusive growth in Sri Lanka will require addressing four interconnected gender-specific bottlenecks and challenges. The ADB proposal to WE-Fi will target the following:

**Access to finance.** Although all entrepreneurs in Sri Lanka face common challenges of access to capital, equity and markets, and complex regulatory frameworks, these are particularly more

<sup>15</sup> GNI per capita, Atlas method (current US\$) – 2006: \$1,370; 2016: \$3,780. Source: World Development Indicators, the World Bank Group.

<sup>16</sup> ADB. 2015. *Country Gender Assessment. Sri Lanka. An Update*. Manila.

<sup>17</sup> There are also legal protections in areas such as age of marriage, inheritance, and gender-based violence.

<sup>18</sup> Source: World Development Indicators, the World Bank Group.

<sup>19</sup> Ibid.

<sup>20</sup> ADB. 2015. *Country Gender Assessment. Sri Lanka. An Update*, p. 26. Manila.

<sup>21</sup> ADB. 2015. *Country Gender Assessment. Sri Lanka. An Update*, p. 20. Manila.

<sup>22</sup> ADB. 2015. *Country Gender Assessment. Sri Lanka. An Update*, p. 25. Manila.

<sup>23</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for Small and Medium-Sized Enterprises Line of Credit Project Additional Financing. Summary Poverty Reduction and Social Strategy*. Manila.

acute for women. In the World Bank's Enterprise Survey, 30% of Sri Lankan firms identified access to finance as a major constraint, which among ADB's developing member countries, fares better than only Mongolia, Nepal, and Afghanistan. Financial institutions are reluctant to lend to SMEs who are often perceived as high risk due to insufficient assets, low capitalization, and vulnerability to market fluctuations. Low levels of business management skills of SMEs also act as a barrier to finance.

For women in Sri Lanka, accessing finance is further complicated by gender-related inequalities. The International Finance Corporation has identified Sri Lanka's gender gap in micro, small and medium-sized enterprises financing at \$350 million. Across South Asia, only 9.5% of loans go to women-owned SMEs.<sup>24</sup> As the majority of loans require collateral, women's general lack of land and asset ownership, as well as credit history means that they are seen as "high risk" borrowers by financial institutions. Broader inequality issues such as unequal or discriminatory inheritance practices, and lack of joint land titling with their spouse contribute to this gender asset gap. In Sri Lanka, when able to borrow, women entrepreneurs are required to contribute a higher percentage of equity when compared to male borrowers.<sup>25</sup> A higher equity contribution increases the challenges for women entrepreneurs who do not have easy access to fixed assets for collateral.

**Insufficient policy and regulatory framework for women entrepreneurship.** Sri Lanka recently announced the first National Policy Framework for SME Development that recognizes the importance of SMEs for national growth and identifies women as a key target group to receive targeted and preferential support.<sup>26</sup> Women's entrepreneurship is also included in the Ministry of Women and Child Affairs, which offers microcredit support programs. These different policies recognizing the importance of women's entrepreneurship show public commitment yet have still not delivered gender-inclusive macroeconomic policies to encourage women's entrepreneurship such as preferential grants, business development services for women SMEs, removal of discriminatory fiscal policies, or strengthening women's chambers of commerce. Without a gender action plan and committed adequate resources, these commitments risk not changing the status quo.

**Low business capacity of women SMEs.** Women's enterprises are more in need of capacity support than their male counterparts. Women entrepreneurs have generally lower levels of financial literacy, confidence, lack experience with administrative procedures, and lack networking and access to information. This results in challenges for women entrepreneurs to develop a successful business plan to attract financing or to successfully scale a business. Women's lower capacity contributes to the credit gender gap. Based on data from ADB's first Small and Medium-Sized Enterprises Line of Credit Project,<sup>27</sup> about 20% of the loan disbursements of \$25.0 million were made to women-led enterprises, which can be explained by these capacity constraints.

**Poor data and evidence on women entrepreneurs and weak knowledge loop to inform better policies and practices.** Sex-disaggregated data on entrepreneurship is limited in Sri

<sup>24</sup> ADB. 2014. *Gender Tool Kit: Micro, Small, and Medium-Sized Enterprise Finance and Development*, p. 25. Manila.

<sup>25</sup> An analysis of data for ADB's first Small and Medium-Size Enterprises Line of Credit Project (Project Number 49273-001) shows that in some Sri Lankan regions, the average contribution for women-led SME borrowers is higher than when compared with their male counterparts. Even in Colombo, women-led SMEs contribute an average of 44.8% in equity while their male counterparts contribute an average of 30.6% in equity.

<sup>26</sup> Ministry of Industry and Commerce, Government of Sri Lanka. *National Policy Framework for Small Medium Enterprise (SME) Development*.

<sup>27</sup> ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for Small and Medium-Sized Enterprises Line of Credit Project*. Manila.

Lanka, with important gaps in terms of survival rates of women owned/led SMEs. Moreover, there is also little data on the “demand” side: specific needs of women business owners for training, IT and other business development services, binding constraints they face, etc. Finally, qualitative data on motivations to become entrepreneurs, the impact on their empowerment in terms of voice and agency within the household are also not yet collected. Such data gaps risk perpetuating gender-blind policies and practices that exacerbate rather than reduce gender gaps in entrepreneurship outcomes.<sup>28</sup>

Addressing these four challenges requires a multi-dimensional response, which incorporates and mainstreams a gender-inclusive approach to SME business development. The Asian Development Bank (ADB) proposal to the We-Fi draws on its significant experience and expertise in private and public-sector investments in SME development, its prioritization of gender equality across all ADB operations, and commitment to delivering sustainable impact for the most vulnerable populations and communities. Good practices from ADB experiences on women’s entrepreneurship were captured in ADB’s *Gender toolkit: Micro, Small and Medium-Sized Enterprise Finance and Development*, which sets out key entry points for mainstreaming gender equality in SME development. This Toolkit’s framework and guidelines have been adapted to the Sri Lankan context.

The ADB proposal targets the four identified challenges with specific tools, activities and resources to offer better outcomes for women-owned and led businesses in Sri Lanka. The objective is to catalyze systemic institutional change that fosters an enabling environment for female entrepreneurship and strengthens women’s skills and capacities to run successful enterprises. The four pillars of the approach will thus focus on 1) strengthening institutional capacity, resources and tools that are gender-inclusive within financial institutions; 2) ensuring that the policy and regulatory framework removes existing barriers and encourages female entrepreneurship; 3) building the skills, capacity and networks of female entrepreneurs; and 4) establishing a strong evidence base complemented by awareness and communications campaigns to promote knowledge of the value-add of female entrepreneurship for societies and economies.

The proposed program will leverage existing ADB networks and partners in Sri Lanka. These include the Department of Development Finance, Ministry of Finance and Mass Media, the Export Development Board and the National Enterprise Development Authority. Moreover, through the We-Fi program, ADB will foster collaboration and cooperation with other national and regional development actors, including chambers of commerce, civil society organizations (CSOs) and think tanks in order to ensure complementarity and avoid duplication of efforts, as well as to encourage knowledge-sharing and long-term sustainability. As SMEs are key to promoting inclusive economic growth, several development partners exist in the area (Table 2).

**Table 2: Major Development Partners in SME Development in Sri Lanka**

Development Partner	Project Name	Duration	Amount (\$ million)
<b>SME Finance</b>			
ADB (sovereign)	Small and Medium-Sized Enterprise Regional Development Project	2008–2012	50.0

<sup>28</sup> OECD. *Strengthening Women’s Entrepreneurship in ASEAN: Towards Increasing Women’s Participation in Economic Activity*, p. 90. Paris.



Development Partner	Project Name	Duration	Amount (\$ million)
	Small and Medium-Sized Enterprises Line of Credit Project	2016–present	100.0
	Technical Assistance for SME Cluster Development and Financial Innovation <sup>a</sup>	2016–present	2.0
	Technical Assistance for Mobilizing Finance for Sri Lanka <sup>b</sup>	2016–present	0.5
	Additional Financing for Small and Medium-Sized Enterprises Line of Credit Project	2018–2020	75.0
ADB (non-sovereign)	Senior Unsecured Loan to Nations Trust Bank for the Small and Medium-Sized Enterprises Finance Project (senior loan)	2013–present	15.0
	LOLC Finance and LOLC Micro Credit (senior loan) <sup>c</sup>	2015–present	100.0
EIB	SME and Green Energy Global Loan <sup>d</sup>	2014–2015	81.9
World Bank	Small and Medium Enterprises Development Facility Project	2011–2015	57.4
IFC	Emerald Sri Lanka Fund I Limited (equity investment)	2014–present	10.0
	NDB Debt Syndication (senior loan) <sup>e</sup>	2014–present	20.0
	NDB Loan Package (senior loan)	2013–present	24.0
	Commercial Bank of Ceylon (financing facility)	2011–present	65.0
	Commercial Bank of Ceylon (subordinated loan)	2013–present	75.0
	SFCL Senior Loan (senior loan to Senkadagala Finance PLC)	2014–present	7.0
	Sanasa Development Bank Limited (equity investment)	2017–present	3.0
	SME Banking SL (advisory services for NDB and Seylan Bank)	2014–present	0.8
	Secured Transaction Registry (advisory services)	2012–2014	0.2
JICA	Small and Micro Industries Leader and Entrepreneur Promotion Project (III) <sup>d</sup>	2004–2012	87.0
USAID	Connecting Regional Economies Project	2008–2012	13.5

<sup>a</sup> Financed by Japan Fund for Poverty Reduction and administered by ADB.

<sup>b</sup> Administered by ADB. Financed by Financial Sector Development Partnership Special Fund, Government of Luxembourg.

<sup>c</sup> Including B-loan.

<sup>d</sup> European Investment Bank's loan was €63 million and JICA's loan was ¥9,619 million.

<sup>e</sup> Projects that will support trade finance are excluded.

ADB = Asian Development Bank, EIB = European Investment Bank, IFC = International Finance Corporation, JICA = Japan International Cooperation Agency, NDB = National Development Bank, SMEs = small and medium-sized enterprises, USAID = United States Agency for International Development.

Sources: ADB, EIB, IFC, JICA, USAID, and World Bank.

**2. Development impact and alignment with We-Fi objectives.** Explain the expected inclusive development impact of the proposed program and briefly outline how this program will support the overall objectives of the We-Fi.

The ADB-proposed program is designed to optimize existing ADB operations and impact in the field of SME development and financing with a lens on women empowerment, in line with the objectives of the We-Fi and the ADB's commitment to poverty reduction, inclusive growth and supporting implementation of the Sustainable Development Goals. The expected development

impact is building a gender-inclusive business environment that fosters and encourages women's entrepreneurship, thereby creating positive spillovers for inclusive growth and poverty reduction.

**Alignment with We-Fi objectives and the SDGs.** The ADB-proposed program is aligned with the three objectives of We-Fi to (i) address financial constraints faced by women-owned/led SMEs, (ii) address non-financial constraints faced by women-owned/led SMEs, and (iii) increase in number and capacity of women-owned/led SMEs to access markets. With respect to the SDGs, this proposal will support the implementation of SDG 1.4 on poverty elimination through expanded access to financial resources; SDG 5.1 on eliminating all forms of discrimination against women and girls; SDG 5a on access to productive resources; SDG 5b on access to IT; and SDG 8.5 on access to decent work.

Below sets out the principal activities and linkages with We-Fi and the SDGs:

- (i) **Financial constraints.** The program will directly improve women entrepreneurs' access to finance by blending We-Fi funds together with ADB's additional line of credit to Sri Lankan financial intermediaries, which will incentivize partner financial institutions to lend to women by improving the loan-to-value (LTV) and debt-service-ratios (DSRs), thus encouraging them to on-lend to women-led SMEs. In addition to the special credit line, an institutional capacity-building program will be designed to support the participating financial institutions to develop gender-inclusive business services and products, such as fintech services for women, and to develop monitoring mechanisms to better track business performance of women's enterprises (SDG 1.4; SDG 5a; SDG 5b; SDG 8.5).
- (ii) **Non-financial constraints.** The program will promote a gender-inclusive enabling business environment for women-owned/ led businesses through gender-inclusive policy and regulatory activities to support the National Framework for SME development and government policy; by providing gender-mainstreaming capacity support to relevant government agencies, mapping existing policy constraints and bottlenecks for women's entrepreneurship and providing recommendations for governments, and strengthening chambers of commerce through leadership training, including women's chambers of commerce to advocate with public and private sector actors. Impact evaluations as well as qualitative surveys will improve knowledge on women's SMEs in Sri Lanka which can inform better designed and targeted policies (SDG 5.1; SDG 5b; SDG 8.5).
- (iii) **Increase business capacity of women-owned/led SMEs.** The program will provide comprehensive business skills and capacity training support for women entrepreneurs in Colombo and in lagging regions, adapted to suit their specific needs. The training, delivered by national experts and consultants, will include modules on financial literacy, business upgrading skills and business development services. This will be complemented by an online platform dedicated to women-owned/led enterprises in Sri Lanka, where women will be able to access legal resources, new apps and information on financing modalities, ongoing training and mentoring and online space to network with other women entrepreneurs (SDG 1.4; SDG 5b; SDG 8.5).

The ADB approach to women's entrepreneurship in Sri Lanka will also be in line with the We-Fi principles of sustainability, complementarity, innovation and supporting the most vulnerable populations.

- The project will ensure **sustainability** through its approach that tackles the business environment both from a public and private sector approach in recognition of the multifaceted bottlenecks confronting women's entrepreneurship. It will strengthen the voice and agency of national chambers of commerce, including women's chambers of commerce, to advocate and represent women entrepreneurs in public decision-making fora. It will also provide technical guidance to government agencies to deliver more gender-inclusive policies and actions.
- The project will ensure **complementarity** through collaboration with national government counterparts, local organizations and partners, and leveraging existing ADB and partner financial resources and networks to maximize impact of the We-Fi grant.
- Supporting women entrepreneurs in lagging regions who are **underserved by financial institutions** will be prioritized through the program. Quotas for training and loans for women entrepreneurs in the lagging regions will be encouraged and the training program will take into account the distance to urban centers by tailoring the program's scheduling to best suit their needs following a needs assessment, and establishing an online platform to provide ongoing mentoring and training.
- **Innovation** will be a characteristic of the We-Fi program which will provide support to partner financial institutions to invest in financial technology to provide online services better catering to women SME needs. The development communications component is also designed to promote behavior change and perceptions of women entrepreneurs, with a range of social and traditional media options to further maximize program outreach.

3. **Alignment of public and private sector activities.** Describe how the proposed activities will be aligned and complementary to new or ongoing activities with the public and/or private sectors at a country level, as well as how activities align with the implementing partner's broader operations.

**Complementing Government objectives and priorities.** The We-Fi program will directly support the government's prioritization of entrepreneurship, including women's entrepreneurship for inclusive growth in Sri Lanka. In Vision 2025, the Sri Lankan Government outlined its plans to i) enhance of the role of SMEs in economic development, (ii) support financial inclusion for SMEs, (iii) encourage evolution in the lending habits of financial institutions from collateral-based to cash flow-based, (iv) improve revenue for SMEs, (v) increase potential for gains from export-oriented business-making, and (vi) promote overall economic improvement that will lead Sri Lanka towards upper middle-income status. The government has also committed to increasing female labor force participation, including women's entrepreneurship. By addressing the financial and non-financial constraints faced by women-led/owned SMEs, the We-Fi program in Sri Lanka would help lower the barriers for business development as articulated in Vision 2025 and support government commitment to women's economic empowerment. This project proposal has been shared with the Government of Sri Lanka prior to submission to the We-Fi Committee.

In the 2018 Budget speech, the government highlighted its plans to support women entrepreneurs through the "Enterprise Sri Lanka Credit Scheme" that will make available credit facilities with an

interest subsidy of at least 10% more relative to other borrowers. The blended financing from the We-Fi grant and ADB's additional line of credit is in line with the government's plans to support SMEs including women-led SMEs. The proposed program is also in line with the gender priority set in the National Policy Framework for SME Development.

In addition, the We-Fi grant program will strengthen public capacity to deliver these priorities on SME business development. ADB will work closely with different public sector stakeholders in Sri Lanka, including with the Department of Development Finance, Ministry of Finance and Mass Media, the Export Development Board and the National Enterprise Development Authority to build institutional capacity to improve the business and regulatory environment for women's entrepreneurship. A gap assessment of government agencies will be carried out to identify specific training for staff in gender equality, complimented by support to developing a women's entrepreneurship action plan for the SME sector.

**Alignment with private sector.** Recognizing that the private sector will be a key engine of growth, the Government of Sri Lanka has, in its Vision 2025, outlined plans to improve the investment climate to support entrepreneurship. Plans include skill development in collaboration with the private sector to encourage entrepreneurship. Support measures also include plans to integrate SMEs into the formal sector through knowledge sharing between R&D institutions and SMEs.

**ADB experience in SME development in Sri Lanka.** In 2016, ADB approved a \$100 million line of credit for SME financing in Sri Lanka. ADB provided the first line of credit worth \$100 million to SMEs including targets for women-owned/led SMEs. Through a novel approach of penalties and incentives, the financing was successfully disbursed through four semiannual allocations. The ADB project provided financing to SMEs including those typically underserved. More specifically, banks were allowed to establish their own onlending targets but had to commit that 20% of the number of loans would go to women-led SME, 20% of the number of loans to first-time bank borrowers, and 70% of the amount of subloans to SMEs that were either located outside of Colombo, women-led, first time bank borrowers, or taking an asset-based loan.<sup>29</sup> If banks achieved their targets, they were eligible for the next semiannual allocation. If they missed their targets, significant interest penalties began to accrue after 3 months on any undisbursed funds.

The credit line is accompanied by a training component that seeks to increase the level of business development and management skills of 500 Sri Lankan women entrepreneurs to improve their ability to leverage the line of credit. The first cohort of women entrepreneurs will complete their training in January 2018.

Following the successful first line of credit, ADB is seeking its Board's approval on 15 January 2018 to provide additional financing to SMEs beginning in 2018. As such, this will increase the capacity of participating financial institutions to onlend, and more importantly continue the effort to close the gap for those most often excluded. The We-Fi program would complement and scale up the gender component of this additional financing, and support longer-term sustainability.

In addition to ADB's presence in SME financing projects in Sri Lanka, the South Asia Public Management, Financial Sector and Trade division of ADB has also administered and is currently administering projects in Sri Lanka, and is continuously involved in conversations on improving

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<sup>29</sup> Asset-based lending was included to encourage banks to lend against receivables and inventory, and thereby not exclude SMEs that cannot provide real estate or financial assets as collateral.

the efficiency and investment climate for SMEs including through credit guarantees and credit reporting. The projects administered thus far in the last two years are:

- (i) Mobilizing Finance for Sri Lanka – this technical assistance project researches how to improve financial access to (i) SMEs needing venture capital and (ii) the tea sector, including for tea smallholders.
- (ii) Capital Market Development Program – this loan develops the overall business climate for SMEs and other businesses through, among other actions, introducing new securities legislation, developing the yield curve, and revising the stock exchange's listing requirements.
- (iii) Rooftop Solar Power Generation Project – this project incentivizes SMEs, retail customers, and other businesses to install solar rooftop generation.

4. **Implementing partner track record.** Briefly describe the implementing partner's track record and experience working in this field and provide examples of effective partnerships with either the public and/or private sector in delivering results.

**ADB's commitment to promoting gender equality and women's empowerment in Asia.** ADB is committed to gender equality. Strategy 2020, ADB's long-term strategic framework, recognizes that gender equality and women's empowerment are critical for achieving economic growth, reducing poverty, and supporting socially inclusive development. Thus, promoting gender equity is one of the five drivers of change. ADB's Policy on Gender and Development adopts gender mainstreaming as the key strategy for promoting gender equality and women's empowerment. It requires gender equality considerations to be addressed across the full range of ADB operations—from country strategies to the design and implementation of gender-inclusive projects and programs.

ADB's Gender Equality and Women's Empowerment Operational Plan 2013–2020 identifies women's access to finance as one of the organization's operational priorities.<sup>30</sup> ADB expressed its commitment to address the "multiple constraints on women's enterprise development through policy reform, financial products and services tailored to women clients' needs, and building women's entrepreneurship capacity and financial literacy through business development support and other training."<sup>31</sup> In addition to gender mainstreaming in finance sector projects, ADB has also published the *Gender Tool Kit: Micro, Small and Medium-Sized Enterprise Finance and Development* which provides guidelines to mainstream gender equality in public policy and projects in the MSME sector. The recommendations of the *Gender Tool Kit* provide the overall strategic framework for the Sri Lanka program on women's entrepreneurship.

**ADB regional and country experience in supporting women's entrepreneurship.** ADB has significant experience in the field of promoting women's entrepreneurship both through gender mainstreaming as well as stand-alone projects. Recent regional and country projects on women's entrepreneurship have piloted innovative and holistic approaches to women's entrepreneurship. The Pacific Private Sector Development Initiative, cofinanced by ADB as well as the governments of Australia and New Zealand, is a series of pilot projects and analytical work in three areas: (i) improving access to finance and financial services, (ii) improving the business law frameworks, and (iii) strengthening the state-owned enterprises and assisting their privatization in the Pacific developing member countries. Women's economic empowerment is a core focus area. Successful activities to date included (i) women's increased access to bank accounts in Timor-

<sup>30</sup> ADB. 2013. *Gender Equality and Women's Empowerment Operational Plan, 2013-2020. Moving the Agenda Forward in Asia and the Pacific*. Manila.

<sup>31</sup> Ibid. P 23.

Leste and Papua New Guinea through outreach, branchless banking and promotion of savings accounts; (ii) mobile banking in Papua New Guinea allowing outreach to women in remote areas; (iii) new Companies Acts in Solomon Islands and Vanuatu to simplify registration requirements and promoting electronic registries; and (iv) “community companies” under the new Companies Acts in the Solomon Islands which was effective in increasing the number of women-owned businesses as women-only community groups can register their business as a company without costly or cumbersome requirements; and (v) Secured Transactions Act not requiring land as collateral. The project also collected sex-disaggregated data of businesses.

The Mekong Business Initiative (MBI) is an initiative sponsored by the Government of Australia and Asian Development Bank which aims to improve the enabling business environment for women-owned/led SMEs in Cambodia, Lao PDR, Myanmar and Viet Nam. Its activities (i) support female innovation and entrepreneurship through provision of business development support services targeting women start-ups to make them investment ready through training, mentoring and networking support as well as incubation and acceleration programs; (ii) pilot-test alternative financing mechanisms to promote financial inclusion for women entrepreneurs; and (iii) enable women business groups to dialogue with government counterparts. MBI has partnered with venture and impact investment funds, and international angel investor syndicates to launch the Mekong Angel Investor Network, which also includes a focus on women’ inclusive businesses. In Vietnam, MBI has encouraged policy change designed to support SMEs to give priority to women-owned businesses. In Lao PDR, MBI facilitated the incorporation of a working group at the Lao Business Forum to represent women-owned businesses. In Myanmar, MBI is carrying out extensive gender surveying across the agricultural value chain. MBI has also created the Women’s Initiative for Start-up Entrepreneurship (WISE) to foster innovation for women-owned start-ups.

At the country level, ADB implemented a 5-year Women’s Entrepreneurship Sector Development Program in Armenia (2012–2017). Key achievements include (i) working with the Ministry of Economy and the SME Development National Center to improve the institutional framework (e.g. national strategy and action plan for women SMEs); (ii) increasing business development services and training for 3,500 women, and establishing a mentorship network; (iii) working with the SME Development National Centre to ensure that at least 50% of loan guarantees or other financial products go to women entrepreneurs; and (iv) working with the Ministries of Finance, Justice and Economy to improve the business regulatory environment.

Other initiatives over the past five years that support women entrepreneurs have been carried out in Kazakhstan, Lao PDR, Kyrgyz Republic, and Tajikistan.<sup>32</sup>

The South Asia Regional Department of ADB, specifically its South Asia Public Management, Financial Sector and Trade division has a demonstrated track record of pursuing comprehensive project designs that incorporates an additional grant and/or technical assistance resource to ensure the success and to enhance the sustainability of SME financing projects, including on elements of gender mainstreaming. Technical assistance targeting specific constraints/needs voiced by women entrepreneurs is an integral element of any successful financial intervention pursued by ADB. Most recently, the South Asia Regional Department has, in addition to the SME credit line in Sri Lanka, pursued gender mainstreaming in its SME financing loan in Bangladesh, and in its MSME financing project in India and the Maldives.

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<sup>32</sup> ADB. 2014. *Gender Tool Kit: Micro, Small, and Medium-Sized Enterprise Finance and Development*. Manila.

In 2010, ADB implemented a Micro, Small, and Medium Enterprise (MSME) Development Project in India through the Small Industries Development Bank of India (SIDBI) to improve MSME access to commercial financing, capacity development services and market opportunities. The Indian states included Andhra Pradesh, Assam, Bihar, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal. The project included a \$50.0 million sovereign loan to SIDBI for onlending to MSMEs and a partial credit guarantee to support bank loans for the larger medium-sized enterprises. As with most of the South Asia Public Management, Financial Sector and Trade division's projects, an accompanying grant or technical assistance for gender mainstreaming played a key role in ensuring a comprehensive implementation of the project. Recognizing the challenges faced by women entrepreneurs, a \$3.0 million grant funded by the Japan Fund for Poverty Reduction (JFPR) complemented the project for capacity building of women-led SMEs. In addition to institutionalization of gender-related policies, strategies, and programs, training of key stakeholders involved in women entrepreneurship, and monitoring and evaluation, the grant component included a direct financial contribution to SIDBI's credit guarantee scheme to reduce the costs of borrowing for selected low-income women entrepreneurs.<sup>33</sup>

In Bangladesh, ADB implemented the Small and Medium-Sized Enterprise Development Project (SMEDP) to provide a \$76 million credit line to participating financial institutions for onlending to SMEs, of which 15% of the total facility was earmarked for women entrepreneurs. In addition, a technical assistance grant of \$500,000 supported the identification of constraints and opportunities for women entrepreneurship, advocacy for gender-responsive regulations and policy reforms, technical capacity training for women entrepreneurs, and dissemination of findings and follow up activities. The technical assistance was assessed to have achieved the target of introducing and supporting the successful completion of a gender action plan to promote women entrepreneurship. The number of women-owned/led SMEs increased by 10% in three pilot districts and the number of loans by women entrepreneurs increased from 13,831 in 2010 to 42,730 in 2014. In 2010-2014, Bangladesh Bank reported a 209% increase in the number of women-led SME borrowers or a cumulative growth of 33%, well over the target of 10% growth in the number of women-led SME borrowers.<sup>34</sup>

In the Maldives, ADB implemented a \$10.02 million project to support inclusive micro, small, and medium-sized enterprise development.<sup>35</sup> In line with the South Asia Public Management, Financial Sector and Trade division's practice of pursuing gender-based development in all of its project, the Maldives project also included Effective Gender Mainstreaming components. The project's gender-inclusive components included performance targets to achieve 20% increase in the number of new women and youth-owned businesses, and to support access to finance for private sector MSMEs including a mandatory allocation of at least 15% of financing for women-led MSMEs.

### Part III: Program Description

1. **Program development objectives.** List the main development objectives of the program and articulate a theory of change linking program activity to the proposal's results framework.

<sup>33</sup> ADB. 2010. *Proposed Grant Assistance India: Supporting Microentrepreneurship for Women's Empowerment (Financed by the Japan Fund for Poverty Reduction)*. Manila.

<sup>34</sup> ADB. 2016. *Validation Report. Bangladesh: Small and Medium-sized Enterprise Development Project*. Manila.

<sup>35</sup> ADB. 2012. *Report and Recommendation of the President to the Board of Directors. Proposed Loan and Grant Republic of the Maldives: Inclusive Micro, Small, and Medium-Sized Enterprise Development Project*. Manila.

## PUBLIC VERSION

Describe the sequence of change from how women owned/led SMEs will be supported to the expected results of the project.

ADB's support for women's entrepreneurship recognizes that systemic and transformative change requires multi-dimensional approaches, innovative tools and a cross section of stakeholders to advance equality and empowerment. The development objective of the program is to enable women entrepreneurs to enjoy greater agency in the labor market, decision-making power within the household, and voice in community and public decision-making processes. The intermediate objectives of the program are to (i) create an enabling business ecosystem for women's entrepreneurship that will continue to innovate new solutions and to generate society-wide support for women-owned/led businesses; (ii) reduce non-financial barriers faced by women-owned/led SMEs; and (iii) increase women entrepreneurs' contribution to economic growth.

To achieve these objectives and aims, the program is based on a theory of change which seeks to stimulate synergies across the four programmatic axes in order to transform the unequal power status quo. While entrepreneurship represents an important avenue for women to access employment, systemic formal and informal barriers create an unfavorable environment for them to start, own/lead and successfully run their businesses: there is a "glass ceiling" for women entrepreneurs. This results in the lower share of women-owned/led businesses among SMEs, higher failure rates, smaller business size and limited access to markets, technology and networks. The theory of change targets four of the major challenges which restrict women's empowerment opportunities through entrepreneurship:

- (i) Financial institutions which lack gender-inclusive services and products, that contribute to limiting women's access to finance;
- (ii) Policy and regulatory frameworks which do not recognize underlying gender-unequal practices and bias against women entrepreneurs, which unfairly impact on women's access to capital, resources and voice in decision-making processes;
- (iii) Limited capacity and business skills of women, which limit their ability to market and scale up their businesses, network and access information and resources; and
- (iv) Insufficient data and evidence, which limit the design of effective gender-responsive policies and financial services to support women's entrepreneurship.

The program will catalyze change of a cross-section of actors in Sri Lanka through the following activities. This four-pillared program is designed to build an enabling entrepreneurship ecosystem for women-owned/led businesses, with activities aiming to foster a behavior change of key institutions, so that even beyond the project completion, sustainable structures will be established and institutionalized to further maximize project benefits:

- (i) **Improving financial access and providing gender-inclusive financial products and services to women**, through direct investments and capacity support to financial institutions. This will include a basket of financial options including: credit support to participating financial institutions for onlending to women entrepreneurs at lower interest rates, and capacity support to foster behavior change of financial institutions, encouraging them to develop complementary financial services for women;
- (ii) **Fostering a gender-inclusive policy and regulatory environment**, through capacity-building support for government agencies. Activities will include a gap



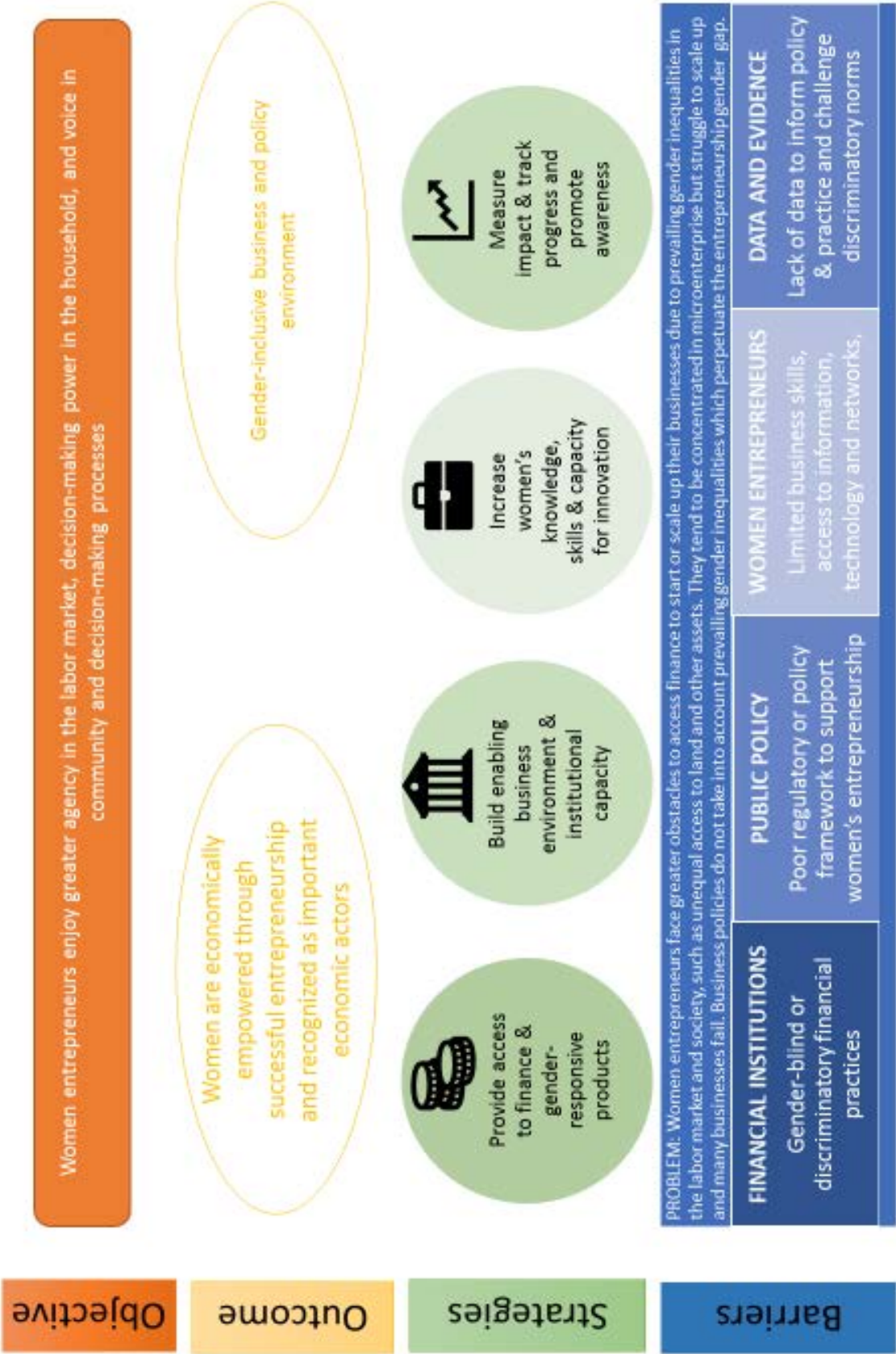
assessment to identify key policy bottlenecks, and based on the outcomes of the assessment, supporting the development of a strategic action plan that individual agencies can support to mainstream and strengthen their actions for women's entrepreneurship. Similar strategic and technical support will be provided to civil society organization partners, notably chambers of commerce. Such activities will institutionalize gender-inclusive policies and practices, and aim to encourage longer-term policy reforms and investments.

- (iii) **Building business capacity of women's enterprises, through comprehensive training, access to information and networking.** At present, Sri Lankan women-owned/led SMEs struggle to access finance due to lack of business experience, skills and networks required to build a successful business loan; as a result, less than one in four entrepreneurs are women. Training will help build skills, confidence and capacity and contribute to increasing the number of women businesses in Sri Lanka. Training will include business skills and marketing, supporting women's access to national and regional markets, and developing a business plan. In addition, online support will accompany women entrepreneurs providing a forum for mentoring and peer-to-peer learning, ongoing training and knowledge-sharing on finance, policies and other resources; and
- (iv) **Building a robust evidence base on women's entrepreneurship, through new data, monitoring and communication.** Activities will include robust monitoring systems to measure impact on 'what works' for women's SME development (quantitative and qualitative surveys of beneficiaries, rigorous impact evaluation, focus group discussions), knowledge products and dissemination events at the national and regional levels, and communication activities at the local and national levels (e.g. radio and TV shows, mobile tools, vlogging and other visual content). The aim would be to build stronger awareness amongst policy makers and the general public of the particular constraints facing women entrepreneurs and to raise the profile of their added value to local communities and economies.

Overall, the empowerment of women through successful entrepreneurship built on sound business management knowledge and financial literacy, and complemented by gender-inclusive business and regulatory policies will lead to an improvement in the voice and agency of women in the community. Research suggests that women's economic empowerment matters for economic growth. Improvements in female earnings and bargaining powers translate into greater investment in children's education, health and nutrition, which leads to economic growth in the long term.<sup>36</sup> The economic empowerment of women entrepreneurs will lead to improved social outcomes and economic growth for the Sri Lankan economy.

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<sup>36</sup> Organisation for Economic Co-operation and Development (OECD). 2012. *Closing the Gender Gap. Act Now*. Paris.



**2. Program beneficiaries.** Describe the target final beneficiaries and include a clear definition of women owned/led SMEs. Discuss how target beneficiaries have been/will be consulted in program design and/or during implementation.

**a) Direct beneficiaries**

This grant will directly support between 205- 616<sup>37</sup> women-owned/led SME borrowers and at least 250 women will benefit from dedicated training. The We-Fi grant is expected to encourage women entrepreneurs, who seek financing, to complete a dedicated training course which would allow them to access and qualify for the higher grant assistance for lending support.<sup>38</sup> Additional online training and mentoring support will further extend the outreach to a projected 450 women entrepreneurs.

**Definition of women owned/led SMEs.** The target beneficiaries will be women SME entrepreneurs in Sri Lanka. SMEs are defined as having sales between Rs15 million and Rs750 million<sup>39</sup>, between 5 and 300 employees if a manufacturer or between 5 and 200 employees if in the service sector. Women-owned/led SMEs are defined as those that are at least 51% owned or controlled by women; or where more than 20% of the enterprise is owned by a woman or women, have more than 1 women as chief executive officer (i.e., senior most executive) or chief operating officer (i.e. second most senior executive), and more than 30% of the board of directors comprised of women, where a board exists .

**Identification and assessment of women SMEs**

The project beneficiaries and the project design have been informed by an ongoing ADB SME project experience in Sri Lanka, which also includes targets for women entrepreneurs. ADB is currently implementing a \$100 million credit line for SMEs in Sri Lanka, approved in 2016. In addition to the innovative method of auction-based disbursement to participating financial institutions, the project also included a focus on women-led/owned SMEs. The project, to date, has successfully surpassed its original goal of at least 20% women-owned/led enterprises as a share of the project's total line of credit. Of a total of 292 loans disbursed until May 2017, 71 loans have been made to women-owned/led enterprises. The average loan size has been approximately \$82,000, and the women-owned/led businesses have had on average an annual turnover of \$0.87 million and have an average workforce of 27. The three sectors in which the women entrepreneurs are involved in are manufacturing, services, and wholesale and retail trade. An assessment of lending to underserved women entrepreneurs show that 18% of the loans made to women entrepreneurs were to first-time women borrowers. About 14% of the number of loans to women-led SME borrowers were made to women entrepreneurs in lagging regions (16% in value terms) with an average equity contribution of 41.4% for women borrowers in lagging regions, an estimated 10 percentage points higher when compared to those in other regions.

These figures highlight the extent to which women-owned/led SMEs, especially in lagging regions, are underserved by existing financial services and the need for quality training and mentoring. As

<sup>37</sup> This proposal assumes that the average loan size will be \$92,434 with a minimum individual loan size of \$5,000 (Rs750,000) and a maximum individual loan size of \$333,333 (Rs50,000,000)

<sup>38</sup> The We-Fi funds will constitute at least 20% of the total loan principal of each SME loan lent by financial intermediaries to incentivize participating institutions to extend loans to new and/or existing women entrepreneurs. An additional 5% will be added for women in underserved regions of Sri Lanka. Women who complete the training program (see below, Component 3) will benefit from an additional 10% of We-Fi funds, reaching up to 35% of the total loan principal for women entrepreneurs in underserved regions, and up to 30% for women entrepreneurs in other regions.

<sup>39</sup> The exchange rate is assumed at Rs150 per \$1.

such, the additional line of credit for SME financing project has included a milestone target to train 500 women by 2019 through 25 cohorts of 20 women each. The We-Fi program will extend this training to additional interested women entrepreneurs, and provide online options in order to extend outreach and provide ongoing support.

Regular data collection, both qualitative and quantitative from the existing ADB SME loan have been incorporated into the We-Fi program design to maximize positive impact for beneficiaries. Through regular site visits and assessment, ADB has been able to complement its quantitative SME database with qualitative studies of the women entrepreneurs who have benefitted so far. Some of these stories have been included in this proposal (see Appendix 1) to illustrate the positive impact. ADB assessments have found that women entrepreneurs exist at the lower end of the value chain in the fruits and vegetables, and food and beverages sectors, with very few women entrepreneurs in the rubber and rubber products, and ICT sectors. The analysis identified capacity building for business development of women SMEs as an area that needed to be addressed.

### **Ongoing consultation with women entrepreneurs**

A baseline survey, focus group discussions and a needs assessment will be held at the start of the project to provide a benchmark for tracking progress and a means to further refine the project to ensure that it is tailored to different urban/rural contexts. Other consultation avenues with women entrepreneurs will take place through the training program of women entrepreneurs as well as regular consultations with participating women's chambers of commerce, and other leading chambers of commerce in Sri Lanka. Following a needs assessment, different options will be pursued to best support these chambers of commerce, such as leadership and advocacy training.

### **Consultation with national partners**

ADB has consulted with participating financial institutions, government agencies, and civil society organizations including chambers of commerce in its project planning; in addition, the existing credit line database also has informed the project design, notably the loan component. The proposal has been shared with the Government of Sri Lanka. Within ADB's Sri Lanka Resident Mission (SLRM), there is a dedicated consultant, who is tracking the performance of the line of credit for SME financing, as well as a Gender specialist, who has provided additional inputs to project design and identified additional potential partners. Please see below for further information on the national partners.

**b. Describe any intermediary beneficiaries.** Discuss intended sustainable business impact and behavior change of financial institutions in serving women entrepreneurs.

**Financial institutions.** The ten participating financial institutions (PFIs)<sup>40</sup> of the project will be the intermediary beneficiaries of the project. The main behavior changes the proposal expects of PFIs is an increase in understanding of gender biases in business, and in financing and promoting innovative financial solutions to address such inequalities to deliver to these underserved women. We-Fi funds will be earmarked to increase PFIs' ability to allocate resources for gender development including a focus on assessing the gap in gender-responsive lending policies and assistance to train staff to be gender-responsive. An allocation for training for PFIs will also be made to ensure that they understand the challenges of business development for women-led

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<sup>40</sup> Bank of Ceylon, Commercial Bank, DFCC Bank, Hatton National Bank, National Development Bank, Nations Trust Bank, People's Bank, Regional Development Bank, Sampath Bank, and Seylan Bank.

SMEs, and support the development of innovative finance solutions to better serve these businesses.

The stringent eligibility criteria applied to PFIs will also ensure that they will strive to be of good standing, if not already of good standing. The eligibility criteria for domestic private or public banks in good standing with the Central Bank of Sri Lanka, have included in the past and will continue to include:

- (i) CBSL must have confirmed at project inception that the PFI is in good regulatory standing including its corporate governance, reputation/integrity, and compliance with anti-money laundering requirements;
- (ii) Due diligence of ADB of the PFI is satisfactory;
- (iii) The PFI complies with CBSL's regulatory capital minimum as at its last audited financial statements or as confirmed by its auditor;
- (iv) The PFI has a net nonperforming loan ratio less than or equal to 5.0% as of its last audited financial statements or as confirmed by its auditor;
- (v) The PFI was profitable as of its last audited annual financial statements;
- (vi) The PFI must have tangible equity of at least SLRs1 billion as of its last audited financial statements as confirmed by its auditor;
- (vii) The PFI must maintain a management information system that can provide semiannual reports on subloan disbursements, repayment performance, lending spreads, targeted SMEs, and other subproject and subborrower information;
- (viii) The PFI must consent that ADB can publicly disclose detailed data on the PFIs' performance and the subloans; and
- (ix) The PFI can maintain separate records of subloans under the project.

**Government agencies.** In its preparatory and implementation plans for ADB's line of credits to Sri Lanka and in discussion on additional financing through the We-Fi grant, ADB has had consultations that are generally held monthly, since 2015, with government departments and agencies. Select government agencies will be part of the Implementing Agencies and Steering Committee (see Part IV) which will oversee this We-Fi program, and the current proposal has been shared with them. Furthermore, the Export Development Board, which regularly communicates with its constituents, was involved in designing the training for women entrepreneurs and is a member of the steering committee that oversees the implementation of the existing ADB SME credit line. The government has expressed support for the We-Fi program proposed, which is in line with their national development strategies and objectives for women's empowerment. As such, financial resources have been earmarked to assess the gender gaps of these agencies, and to develop a comprehensive development plan for their long-term sustainable capacity to design and deliver gender-responsive policies and actions.

**Civil society organizations.** ADB has corresponded with the main chambers of commerce in order to gauge their interest in taking part in this project and in further strengthening their services to women entrepreneurs. ADB has received already to date some positive responses and expressions of interest. Following a needs assessment ADB will work closely with the chambers of commerce to co-develop a strategic plan of action aimed at strengthening their ability to advocate and support women entrepreneurs. This will include leadership, advocacy and gender sensitization training.

2. **Program components.** Describe the main components/subcomponents of the proposed program and specific activities under each. Describe how the components build on existing activities and include indicative pipelines where applicable. Indicate whether rigorous impact

evaluations (IE) of specific activities will be carried out during implementation and describe the IE questions and proposed methodology.

**Component 1: Access to finance for underserved women-owned/ led SMEs and improving gender-inclusive financial services.** This component will focus on incentivizing financial institutions to onlend to women-owned/led entrepreneurs and supporting the financial institutions to develop business services better adapted to women's needs.

A total of \$9.5 million of We-Fi funds will be blended together with ADB's \$75 million additional line of credit for SME financing, over three disbursements,<sup>41</sup> to improve the loan-to-value (LTV) and debt service ratios (DSR). The additional We-Fi grant funding will incentivize the 10 participating financial institutions to specifically onlend to women borrowers.

The We-Fi funds will constitute at least 20% of the total loan principal of each SME loan onlent by financial intermediaries to incentivize participating institutions to extend loans to new and/or existing women entrepreneurs. An additional 5% will be added for women in underserved<sup>42</sup> regions of Sri Lanka. Women who complete the training program (see below, Component 3) will benefit from an additional 10% of We-Fi funds, reaching up to 35% of the total loan principal for women entrepreneurs in underserved regions, and up to 30% for women entrepreneurs in other regions. This is intended as an incentive for women to complete the training. Between 205 to 616 subprojects are estimated to benefit from the lending support provided by the We-Fi grant. This range depends on the size of the loan requested and approved.

The onlending bank will not charge interest on the grant funds, so the blended internal rate of return will decrease. The onlending bank retains the remaining credit risk, which provides a control on the viability of funding for subprojects. The proposed program will be implemented over three tranches with one disbursement every six months to participating banks. The proposed disbursement of We-Fi grant will use the method used in the current ADB SME project of imposing an interest rate penalty on participating banks who fail to disburse to entrepreneurs on a timely basis. Because of this penalty, the credit line has established a strong disbursement record.

Under the project currently being processed for Additional Financing for Small and Medium-sized Enterprises Line of Credit (Project Number: 49273-002), in addition to stringent eligibility criteria for the ten participating financial institutions, the development targets have been raised from the original loan. For a participating financial institution to qualify for a subsequent round of funding:

- i. 20% of the number of subloans (previously 10%) must be onlent to first-time borrowers of a licensed commercial or specialized bank;
- ii. 20% of the number of subloans (previously 5%) must be onlent to women-led SMEs;
- iii. 70% of the amount of subloans (previously 50%) must be lent cumulatively to targeted SMEs, including SMEs that are (a) located outside of Colombo District, (b) borrowing for working capital that is not collateralized by fixed or financial assets, (c) led by women, or (d) first-time borrowers from commercial or specialized bank; and
- iv. 80% of the amount of a bank's allocation must be onlent.

<sup>41</sup> The \$9.5 million will be divided into three tranches of \$3.17 million each that will be blended with ADB's 2018 additional line of credit for SMEs in Sri Lanka at \$25 million per tranche.

<sup>42</sup> Refers to the lagging regions which are Sri Lankan regions that contribute the least to GDP, have a low GDP per capita and a higher poverty rate when compared to other regions. These have been identified as Uva, Sabaragamuwa, Northern and Eastern provinces.

With the additional \$9.5 million from the We-Fi grant which will be blended with ADB's additional financing of \$75.0 million to be disbursed over three disbursements, a cumulative target of 25% of the blended amount in 2018, 30% in 2019 and 35% in 2020 will be set for onlending to women-owned/led SMEs.

In addition, to ensure that financial inclusion is encouraged, of the share of loans to women-led SMEs, conditions will be placed to encourage participating financial institutions to lend to women-led SMEs in lagging regions. Loan sizes will also be capped at a maximum of SLRs50 million per loan.

Participating financial institutions will be expected to comply with the requirements for selecting eligible subborrowers as set forth in the project currently being processed for Additional Finance for Small and Medium-sized Enterprises Line of Credit (Project Number: 49273-002) including:

- i. Subborrowers must be economically and financially viable;
- ii. Subborrowers may not be related parties of the participating financial institution's board or senior management;
- iii. Subborrowers (the parent company and any subsidiaries) must have an annual turnover under SLRs750 million or less than 300 employees if in manufacturing or 200 employees if in services; and
- iv. Subborrowers must contribute equity, if required by the PFIs, to subprojects as per commercial norms.

In addition, subborrowers eligible for We-Fi funding will be eligible women-led enterprises. SMEs defined as having sales between Rs15 million and Rs750 million<sup>43</sup>, between 5 and 300 employees if a manufacturer or between 5 and 200 employees if in the service sector. Women-owned/led SMEs are defined as those that are at least 51% owned or controlled by women; or where more than 20% of the enterprise is owned by a woman or women, have more than 1 women as chief executive officer (i.e., senior most executive) or chief operating officer (i.e. second most senior executive), and more than 30% of the board of directors comprised of women, where a board exists .

The allocated grant will also provide for a complementary capacity development initiative for participating financial institutions (PFIs) to enhance their capacity to provide gender-inclusive business development services, including financial technology-based (fintech) services for women. A gender needs assessment and audit of the PFIs will be conducted to ascertain their level of gender-inclusive readiness including gender gaps in policies and practices, and on the availability of a sex-disaggregated database. The audit will form the basis for the training program<sup>44</sup> that will include gender sensitization training and equal employment HR opportunities awareness at financial institutions. In addition, the grant will also support financial institutions to innovate new gender-inclusive business development services including through the use of financial technologies (fintech), address remaining discriminatory practices and improve service outreach for women in under-served areas. The improvements will also include encouraging the development of a sex-disaggregated database that will inform future policies and processes on gender mainstreaming in financing. It is expected that by the end of the project period, participating financial institutions will develop an action plan to support women's entrepreneurs through new and innovative dedicated services and products.

<sup>43</sup> The exchange rate is assumed as Rs150 per \$1.

<sup>44</sup> Asian Development Bank. 2014. *Gender Tool Kit: Micro, Small and Medium-Sized Enterprise Finance and Development*. Manila.

## Main outputs:

- Blended We-Fi and ADB grant to impact 205 to 616 women-owned/led SMEs.
- Gap assessment of PFIs' gender-inclusive policies and practices.
- Development plan to bridge the gender gap, with options such as innovative and inclusive business services (e.g. financial technologies), sex-disaggregated database or other practices to reach underserved women borrowers.

**Component 2: Gender-inclusive policy and regulatory framework, and network strengthening to support women-owned/led SMEs.** Following a needs assessment and stakeholder survey, ADB will work closely with government agencies to identify actions and policy entry points to support women-led/owned SMEs, in line with national policies and priorities. Technical consultations and workshops will be co-organized throughout the project period with relevant sector ministries and government agencies, such as the Ministry of Finance and Mass Media, the Export Development Board, the National Enterprise Development Authority, and the Ministry for Women and Children's Affairs. These consultations will aim to provide technical support to the government in identifying and addressing particular challenges, and to propose recommendations for other interventions that can further promote a gender-inclusive policy environment for women-owned/led SMEs, such as specialized government units dedicated to coordinating with chambers of commerce and non-governmental organizations, and other direct programs for women entrepreneurs.

As part of this technical support, an ADB policy paper will be undertaken to examine the existing policy and regulatory challenges to women-owned/led SMEs. This paper will perform a gap analysis of the sector, including assessing coordination mechanisms between government agencies and other entry points to develop gender-inclusive SME policy development.

This component will also focus on building voice and agency of local chambers of commerce and women's business associations. Building on existing collaborations with national chambers of commerce, training and capacity support will aim to strengthen their advocacy and representation role within policy-making processes. In addition, women's chambers of commerce will be particularly supported to extend their outreach to women entrepreneurs in lagging regions and to scale up their voice with public agencies in favor of women's entrepreneurship through a training of trainers program.

## Main outputs:

- Gap/needs assessment of policies and activities in government agencies to support women in the SME sector
- Technical guidance to develop strategic action plans and policies
- Gap assessment of civil society organisations, in particular chambers of commerce, to support women entrepreneurs
- Technical guidance and support to develop strategic action plans and activities

**Component 3: Building business capacity of women's enterprises.** The project will address the training needs for women entrepreneurs to equip them with the right tools to start, build and scale up successful businesses. The We-Fi grant will enable extension of the existing training program under the additional line of credit for SME financing that is currently being processed, benefitting at least an estimated 250 more women entrepreneurs (with provisions to extend further



pending demand). Current qualitative and quantitative baseline data suggests that women entrepreneurs are not always able to take advantage of training opportunities due to geographical, financial, logistical as well as social norm constraints; numbers of women taking part in the training are significantly lower than those of men for example. The training provided by the ADB will be tailored to directly overcome these constraints and aim to increase outreach through different modalities of training delivery.

The training will provide a comprehensive introduction and mentoring over a two-year period. The training will be adapted to the geographic contexts (non-lagging versus lagging regions) and to the needs of women entrepreneurs, with a specific focus on helping them to build strong business development skills (e.g. designing a business plan and financial literacy) and scaling up their businesses and expanding to new markets. The current training program, which will be evaluated, and which will form the basis of the expanding training, was developed in collaboration with ADB's consultant firm, PwC, and Sri Lankan government agencies. An innovative component will be the establishment of an online platform where ongoing training and mentoring will be made available, in collaboration with a range of local chambers of commerce, and other interested partners.

The businesses of women entrepreneurs under the current training program are in the mango, pineapple, pepper and processed fruits sectors. These export-oriented sectors were identified as high priority sectors and the training needs of women in these sectors were identified through a value chain gap analysis conducted by PwC. Through the We-Fi program, more women entrepreneurs will be trained and the sectors expanded to include tourism, floriculture, and food processing. This expanded training will continue to improve the ability of women entrepreneurs to gain global market access for their SMEs.

For the purposes of this grant, women entrepreneurs will be incentivized to complete the training when they seek financing. Funding proposed also provides room to train more women entrepreneurs who for reasons may not seek or be eligible for financing, but are interested in the training program. Women entrepreneurs interested in the training program will be screened via a questionnaire that assesses the gender distribution of ownership of their businesses, the sectors in which they are active, the existing programs and/or connection with exporters that they have, prior business management training experience, and their interest in the training.

The four modules for the current training program were developed based on the needs of the women entrepreneurs in four export-oriented and high priority sectors. The modules are: marketing management, production planning, operations management, and financial planning and management. On the last day of the once-a-week, 5-week training, women entrepreneurs will be asked to prepare a business plan and will then present the business plans.

The training will be delivered in the local language. For women entrepreneurs in more distant locations, training schedules will be accommodated and their travel subsidized. The training program will be carried out in collaboration with local partner organizations. Some potential organizations identified include civil society organizations and government agencies: the National Enterprise Development Authority (NEDA), Small and Medium Enterprise Development, Department of Agriculture (DoA), Institute of Post-Harvest Technology (IPHT), Women's Chamber of Industry and Commerce in Sri Lanka (WCICSL), the Federation of Chambers of Commerce and Industry of Sri Lanka (FCCISL), and the Women's Bureau of the Ministry of Women and Child Affairs.<sup>45</sup>

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<sup>45</sup> PWC. 2017. Enhancing Value Chain Performance. Implementation Plan: Training Women Entrepreneurs. Mimeo.

To complement and ensure broad outreach of the training for women entrepreneurs, an interactive online platform will be established. The online platform will provide registered users with online access to training materials, include an interactive forum for mentoring and networking between women entrepreneurs and information on financial resources and policies.

Main outputs:

- 5-week training program tailored to women entrepreneurs.
- Online platform dedicated to women entrepreneurs in Sri Lanka, with training, networking and mentoring support.

**Component 4: Strengthening the evidence base on women-owned/led SMEs.** Quantitative and qualitative surveys and evaluations will be undertaken to strengthen data and evidence on 'what works' for supporting women entrepreneurs, to track progress against project objectives and to help refine and shape project outputs.

a) **A rigorous impact evaluation** will be commissioned to assess the effect of the grant project on women-led SMEs. The proposed instrumental variable (IV) approach will use a randomized encouragement design with individual randomization. The randomized encouragement approach will remove selection bias and pave the way for a more accurate assessment of the effect of the project itself. The impact evaluation will be conducted in two stages: a baseline survey before the implementation of the grant, and an endline survey will be two years after the encouragement. A competitive consultant procurement will be put in place at the start of the grant implementation to design the randomized encouragement, and to carry out the baseline and endline survey. The endline survey of the impact evaluation is expected to commence by June 2020, a year after the last disbursement is made.

b) **Focus group discussions** will be conducted to provide a comprehensive qualitative assessment of the effects of the We-Fi funded project on the economic and social impact on women entrepreneurs. The focus group will also try to assess broader social impact of the We-Fi program through questions tailored to both women and men that will gauge any changes in empowerment, voice and agency within the household and community, as well as at the individual level. These will take place both at the beginning and the end of the project.

c) **Baseline survey** of women-owned/led SMEs will be conducted prior to project commencement and an end-line survey will be conducted by June 2020, a year after the last disbursement is made. Data will be incorporated into ADB's database on SMEs in Sri Lanka. This data will be used to track project performance and to inform future projects in Sri Lanka (and beyond).

d) **An awareness-raising campaign** will be conducted to raise visibility and promote better understanding of women entrepreneurship amongst a broader audience. Following a communication needs assessment, a tailored program of activities will be designed to put the spotlight on women entrepreneurs, share their success stories and encourage/motivate other women entrepreneurs. These will also be shared through ADB communication channels and publications.

e) **Knowledge products and dissemination events** will be organized to promote and share lessons learned from this We-Fi program with government stakeholders, academia, the private sector and other development partners globally, regionally as well as nationally. Four national and regional seminars in total will be organized to share key results from the impact evaluation and the focus group discussions. These findings will also be leveraged by ADB to inform future

SME projects in South Asia and contribute to global debates on women's entrepreneurship. At least one report capturing the key results will be produced by ADB.

Main outputs:

- Impact evaluations
- Focus group discussions
- Knowledge products based on We-Fi qualitative and quantitative data
- National and regional workshops to share data and lessons learned
- Innovative development communications campaign

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3. **Results framework.** The results framework must include expected results of the project at the level of outputs, intermediate results, project development objective (outcome) and development impact, with indicators for each expected result on which performance will be monitored and assessed. The results framework must be directly linked to the We-Fi objectives. At least 2 We-Fi core indicators must be used in the IP results framework. Indicate the unit of measure, current baseline value, and targets (see attached template).

### Results Framework and Monitoring.

*All IPs should use the below template, approved by the We-Fi Governing Committee. Please be aware that the template is flexible in terms of numbers of indicators, intermediate results and outputs.*

**PDO level Results Indicators:** List 2–3 key measurable indicators directly linked to the program objectives. Indicate unit of measure, i.e. percentage, number of people, etc. **Intermediate Results Indicators:** List measurable indicators directly linked to intermediate effects of the deliverables in the program. Indicate baseline value and annual targets thereafter cumulatively. Include all **core indicators of the We-Fi Results Framework** that apply to the program you are implementing, with a minimum of two core indicators. Inclusion of at least two core Facility-level indicators are mandatory.

<b>Project Development Objective (PDO).</b> Women-owned/led SMEs enjoy greater agency in the labor market, decision-making power within the household, and voice in community and public decision-making processes							
<b>PDO LEVEL RESULTS INDICATORS</b>							
PDO Level Results Indicators	Unit of Measure	Baseline	Cumulative Target Values**				
			YR 1 (2018)	YR 2 (2019)	YR3 (2020)	YR4 (2021)	YR5
<b>Indicator One:</b> Number of women-owned/led SMEs who benefit from We-Fi funding reporting increased revenue	Number	N/A	-	-	21-62	-	-
<b>Indicator Two:</b> Share of women who benefit from We-Fi funding reporting increased decision-making over household income	Percent	N/A	-	-	15%	-	-
<b>INTERMEDIATE RESULTS</b>							
<b>Intermediate Result (Component One): Access to finance for underserved women-owned/ led SMEs and improving gender-inclusive financial services</b>							
<i>Intermediate Result Indicator One:</i> Share of lending (value terms) to women-led/owned SMEs as a percentage of blended funds from We-Fi and ADB's line of credit	Percent	20%	25%	30%	35%	-	-

<i>Intermediate Result Indicator Two:</i> Number of financial institutions that have introduced new gender-responsive policies and practices (e.g. fintech for women, etc)	Number of financial institutions	0	1 out of 10	4 out of 10	7 out of 10	-	-
<b>Intermediate Result (Component Two): Gender inclusive policy and regulatory framework, and network strengthening to support women-owned/led SMEs</b>							
<i>Intermediate Result Indicator One:</i> Number of government agencies that have undertaken gender gap needs assessment and develop strategic action plan to support women entrepreneurs	Number of government agencies	0	-	1	3	-	-
<i>Intermediate Result Indicator Two:</i> Number of chambers of commerce that undertake gap assessment and develop strategic action plan to support women entrepreneurs	Number of chambers of commerce	0	-	1	2	-	-
<b>Intermediate Result (Component Three): Building business capacity of women's enterprises</b>							
<i>Intermediate Result Indicator One:</i> Number of women with increased knowledge, skills and capacity to successfully develop and scale their own businesses	Number of women trained by We-Fi funds	0	50	150	250	-	-
<i>Intermediate Result Indicator Two:</i> Number of women-owned/led SMEs benefiting from We-Fi grant <sup>46</sup>	Number of women-owned/led SMEs	0	36 to 110	114 to 343	205 to 616 <sup>47</sup>	-	-

<sup>46</sup> This indicator assumes that women-owned/led SMEs are only benefitting from the financial assistance provided in the form of \$9.5 million in We-Fi grant.

<sup>47</sup> The number of women-led/owned SMEs benefitting from We-Fi will have a cumulative range of 205 to 616. The final number will be contingent on the size of each loan. The threshold for loans is capped at approximately \$333,000. This estimate uses the IFC definition for women-owned/led SMEs as applied to ADB's historical SME database for Sri Lanka with average loan size of \$92,434. The range provided is built on different assumptions based on average loan size and the assumption that the average principal paydown per loan as supported by the \$9.5 million in on-lending from the We-Fi grant would be 25% of the estimated loan principal.

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<i>Intermediate Result Indicator Three:</i> Number of women entrepreneurs registered on online platform	Registration numbers on dedicated website	0	0	200	450	-	-
<b>Intermediate Result (Component Four): Strengthening the evidence base on women-owned/led SMEs</b>							
<i>Intermediate Result indicator One:</i> Number of rigorous impact evaluations commissioned by ADB under We-Fi grant funding	Number of impact evaluations	0	-	-	1	-	-
<i>Intermediate Result indicator Two:</i> Number of national and regional seminars to disseminate findings/success stories	Number of regional seminars	0	-	2	4	-	-
<i>Intermediate Result indicator Three:</i> Percentage of government representatives reporting higher levels of awareness of gender-specific challenges in women's entrepreneurship	Percent	N/A	-	-	25	-	-

4. **Innovation and evidence.** Describe how the activities will build on lessons learned about what works for starting and growing women owned/led SMEs, collect key data from the public and private sectors on women entrepreneurs and their firms, and support innovation and learning for results at scale. The proposal must include a concrete plan to generate rigorous evidence, and disseminate lessons and best practice for this program and others. Proposals are also encouraged to include qualitative studies to capture the changes in women's lives as a result of the We-Fi financed program.

- (i) **Rigorous impact evaluation.** A rigorous instrumental variable (IV) approach will be undertaken to assess the improvements in economic benefits and in voice and agency for women entrepreneurs as a result of We-Fi grant funding for ADB's additional SME financing line of credit in Sri Lanka. The impact evaluation will include a baseline survey before the project commences and an endline survey after the last disbursement from ADB.
- (ii) **Focus group discussions.** To complement the quantitative data, focus group discussions will be conducted to capture the voices of women and men, in order to ascertain how their voice and agency, and inter-household relations will be affected by the We-Fi intervention. The focus group discussions will take place in nine provinces and assess both women and men, as well as different age cohorts to track inter-generational behavior change.
- (iii) **Comprehensive data collection by in-house consultant.** Key statistics from the current data collection on credit extension to SMEs including women-led SMEs have allowed for an analysis of the role of women in the SME sector. The performance of the We-Fi-funded grant will be tracked through an in-house consultant at ADB's Sri Lanka Resident Mission.
- (iv) **Publications and regional seminars for information dissemination and to contribute to global knowledge on women's entrepreneurship.** ADB will publish reports, blogs and other knowledge products, as well as organize national and regional seminars to promote the data and evidence, as well as women's voices, generated by the We-Fi program in Sri Lanka. It will promote a knowledge and policy loop by disseminating findings in technical consultations with relevant private and public sector partners in Sri Lanka and the region. The development communication campaign will offer a wider audience with direct access to the women beneficiaries themselves via different social and visual media options.

5. **Partnerships.** Describe any partnerships that might help amplify the results of the program and benefit from learning. Proposals are encouraged to partner with UN agencies, CSOs, business groups, and/or other entities currently working in the field at the country level.

ADB has already established strong partnerships in Sri Lanka to support women's entrepreneurship with the private and public sector. ADB Resident mission in Sri Lanka actively engages with leading development partners in the country, and opportunities will be sought to further expand this network during the project implementation period. These will be further leveraged to optimize the We-Fi grant's impact: the grant will open more opportunities to engage with a broad range of national partners as the chambers of commerce (including women's chambers of commerce), other local civil society organizations, state-owned banks and private sector banks (including the 10 partner financial institutions involved in this project), and continued engagement with the Sri Lankan government who have demonstrated a commitment to furthering the agenda of financial inclusion for SMEs especially women-led SMEs. This proposal has been shared with the Sri Lankan government.

## PART IV: IMPLEMENTATION ARRANGEMENTS

1. **Describe the arrangements for program implementation.** Describe how and by whom activities will be implemented. Include criteria used for selecting executing entities.

ADB Headquarters project team along with its Resident Mission in Sri Lanka will coordinate and provide oversight for all stages of the We-Fi Program. A national consultant will be hired to work under the SME and Gender program officers in the Sri Lanka Resident Mission. Any consultants hired for the We-Fi program will be based on ADB's competitive selection process, and respond to ADB. These include the national consultant, communication consultant(s), and the impact evaluation team.

The executing entities are listed in Table 4 below. The national executing and implementing entities have been chosen based on their successful track record of lowering the barriers for financial access for SMEs. Similar to the additional line of credit for SME financing project (Project Number: 49273-002) that is currently being processed, the Executing Agency will be the Ministry of Finance and Mass Media, Government of Sri Lanka and the implementing agency will be the Department of Development Finance, MoF. A Financial Management Assessment was completed on these two agencies to ensure their preparedness to implement the project. Any consultant(s) recruited for activities will be through an open and competitive bidding process, following ADB standards and practices.

Partner financial institutions have been selected based on the following criteria: (i) central bank confirmation that the bank is in good regulatory standing (including corporate governance, reputation, integrity, and anti-money laundering procedures); (ii) compliance with the central bank's regulatory capital norms; (iii) tangible equity of at least SLRs 1 billion; and (iv) ADB's own due diligence on the bank's financial strength, financial management, integrity and governance.

**Table 4: Proposed Implementation Arrangements**

Aspects	Arrangements
Implementation period	June 2018–December 2020
Oversight body	Steering committee, including the secretary or deputy secretary to the Treasury (chair), External Resources Department, Department of Development Finance, ADB, Central Bank of Sri Lanka, Export Development Bank, and Federation of Chambers of Commerce and Industry
Executing agency	Ministry of Finance and Mass Media (MoF), Government of Sri Lanka
Implementing agency	Department of Development Finance, MoF

Note: The implementation period for this We-Fi-funded grant component includes the time period for three disbursements between July 2018 and July 2019, consultation work and scope for impact evaluation a year after the last disbursement in July 2019.

Based on the successful implementation of the first line of credit to SMEs (Project Number: 49273-001), this proposal will adopt the same structure of incentives to the original project and the additional line of credit (Project Number: 49273-002) to ensure successful implementation of the grant using tried and tested means. To access the grant funds, participating banks will agree to lending targets. If they achieve these targets, they will be eligible for the next allocation. If they do not achieve these targets, they incur interest penalties on the undisbursed portions. Compliance with the disbursement requirements will be assessed 1 month prior to the next allocation.



## 2. Risk Mitigation and Management

- (i) **Assess anticipated risks to achieving the overall program development objective and associated activities including political, economic, institutional, environmental, and market risks.** Assess any possible unintended risks (to beneficiaries and/or others) associated with implementation of this program.
- (ii) **Describe mitigation measures and program risk management mechanisms that will be employed.** The IP is responsible for ensuring activities in this proposal are executed in accordance with the IP's policies and procedures, including but not limited to its procurement, financial management, disbursement and safeguard policies, its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of funds to finance terrorist activities. Proposals should also confirm that activities being financed are not on their institution's exclusion or prohibition list.<sup>48</sup>

**Table 7: Risk Assessment and Risk Management Plan**

<b>Risk Description</b>	<b>Rating</b>	<b>Mitigation Measures</b>	<b>Responsibility</b>
1. Some participating banks cannot meet the onlending disbursement and development targets because of poor management.	H	Three months after the fund allocation date, participating banks are required to start paying interest to the government on their allocation even if the bank has not yet onlent the funds to a subloan. In addition, banks are not allowed to participate in the next fund allocation unless they meet the disbursement and development targets. Finally, the steering committee may decide to reallocate any undisbursed funds prior to the last allocation to ensure that the loan's closing is not delayed.	PFI
2. Other government schemes with subsidy elements crowd out the SMEs' demand for the grant.	S	The SME market is large. In 2016, Sri Lankan banks disbursed \$4.8 billion to SMEs. Additionally, the market of unserved or underserved SMEs is estimated at \$2.3 billion. <sup>a</sup> This demand exceeds the assistance that government programs and development institutions' public sector and private sector operations can provide.	MOF
3. Macroeconomic conditions deteriorate and bankable SMEs projects decrease.	S	Under the IMF program that runs from 2016 to 2019, the macroeconomic management of Sri Lanka has been and will be strengthened.	MOF, CBSL
4. Monetary conditions may become more favorable for participating financial institutions (PFIs), and their demand for ADB's credit line may decrease.	L	Under the IMF program until mid-2019, the Central Bank of Sri Lanka (CBSL) is required to restore its foreign reserves and sustain a moderate inflation level. Therefore, the project team expects the monetary condition not to loosen materially. Even if the monetary policy becomes accommodative, there will still be demand	CBSL

<sup>48</sup> If the IP does not have an exclusion or prohibition list, IPs should follow the IFC's Exclusion List. is followed. See: [http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/company-resources/ifcexclusionlist](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist)

Risk Description	Rating	Mitigation Measures	Responsibility
		for ADB's long-tenor funding for asset-liability management.	
5. Subprojects may not be financially viable.	L	PFIs will be required to screen the viability of SME subprojects as a condition of borrowing from the ADB project. Furthermore, under the project agreements, PFIs are required to maintain their net nonperforming loan ratio at or below 5%.	PFIs
6. Corruption takes the form of loan fraud.	L	PFIs could lend the funds to spurious subloans. However, the integrity due diligence and financial management assessment suggest that the PFIs' internal controls are sufficient to prevent any widespread abuse.	MOF, PFIs
7. Safeguard management is inadequate.	M	Some PFIs have already established ADB compliant environmental safeguard management system (ESMS). A safeguard expert has been brought on-board to screen subloan applications in terms of safeguard compliance. The existing additional line of credit (Project Number: 49273-002)'s safeguard expert will also assess the compliance with ADB's safeguard policy as the project and the grant have the same timeline of disbursement. To confirm the compliance status, an ADB's safeguard officer has been periodically monitoring the implementation of PFIs' ESMS and no issue has been identified so far.	MOF, PFIs
8. Public financial management is inadequate.	L	The risk assessment prepared by ADB, as part of the most recent country partnership strategy, did not highlight any material governance risks. <sup>a</sup> Moreover, the PMU demonstrated excellent capacity of financial management during the implementation of ADB's existing credit line. The recruitment of an accounting firm to prepare project financial reports on a quarterly basis has been completed.	MOF, PFIs
9. Women-led SMEs are not interested in training programs for business development services including financial literacy trainings.	L	A gap analysis on the targeted clusters (fruits and vegetable, processed food and beverage, and ICT-BPO) and sufficient BDS training needs were identified among women-led SMEs in fruits and vegetable and processed food and beverage clusters. A training program has been developed to meet the identified needs of women-led SMEs. During the implementation of the training program, the Export Development Board (EDB) will collaborate with industrial associations and women's chambers to attract and screen women-led SMEs who	EDB

Risk Description	Rating	Mitigation Measures	Responsibility
		are motivated to expand their existing businesses to export markets.	
10. The benefits of the project are short-lived because of lack of post-project sustainable mechanism to assist trained women entrepreneurs in overcoming the challenges of business development cycle.	H	Under the project, gender gap assessments of SME policies for PFIs, government agencies and CSOs will be completed. Findings and recommendations of the assessments will guide future strategies for action, with ADB providing technical advice through consultations and seminars to provide sustained support to the different stakeholders. In addition, a web-based platform will be developed to encourage peer-to-peer support, mentoring, training and access to information, which will continue after project completion, ensuring that women entrepreneurs continue to receive support and information. Ownership of the platform will be encouraged amongst national stakeholders, such as women's chambers of commerce, to sustain the platform post project.	ADB

H = high, S = substantial, M = moderate, L = low.

ADB = Asian Development Bank, CBSL = Central Bank of Sri Lanka, GOSL = Government of Sri Lanka, IMF = International Monetary Fund, MOF = Ministry of Finance, PFIs = participating financial institutions, PMU = project management unit, SMEs = small and medium-sized enterprises.

<sup>a</sup> ADB. 2015. *Interim Country Partnership Strategy: Sri Lanka, 2015–2016*. Manila.

Source: Asian Development Bank.

### 3. Describe how the principles for We-Fi funds will be applied

**For public sector investments describe how the principles for using We-Fi funds for public sector investments will be applied. Indicate measures that will be taken to ensure that public funds will not crowd out private financing and the rationale for public funds.** Please indicate how you are crowding in public funds where applicable.

**a) Government ownership:** The project is strongly aligned with the Sri Lankan government's strategy on economic development through financial inclusion and SME development that has been articulated in its Vision 2025. The government has demonstrated a commitment to lowering the legal and regulatory, and financial access barriers for SME financing, and has participated in programs to reduce gender inequality, including through sovereign operations with ADB. The government is one of the implementing agencies for this project and will be regularly consulted on project developments.

**b) Additionality.** The project will aim to identify entry points for further technical engagement with the Government to support national priorities on women's entrepreneurship. The gap assessment, ADB white policy paper and technical consultations with relevant government partners will be actively pursued to encourage additional government actions in this area.

**c) Safeguards Management:** The government and the Ministry of Finance have assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement. These standards are included in the loan documents. ADB projects include

covenants to ensure that all projects must comply with national labor standards and other laws, protect the rights of indigenous and marginalized communities and protect gender equality.

**For private sector investments, describe how the principles for using We-Fi funds in private sector investments will be applied. Indicate how the principles of blended finance will be applied and how private sector funds will be mobilized.**

**1. Additionality.** The grant funding provided by We-Fi will complement and scale up the gender equality focus of ADB's project for SME financing in Sri Lanka. The ADB project already included a gender dimension (e.g. targets for loans to women borrowers), which will be further scaled up with additional ambitious quotas for lending to women owned/led SMEs, and a holistic approach to promoting a gender-inclusive business eco-system, including supporting government agencies, partner financial institutions and civil society organizations to develop and implement strategic action plans in favor of women's entrepreneurship.

A total of \$9.5 million of We-Fi funds will be blended together with ADB's \$75 million additional line of credit for SME financing, over three disbursements, to improve the loan-to-value (LTV) and debt service ratios (DSR). The additional We-Fi grant funding will incentivize the 10 participating financial institutions to specifically onlend to women borrowers. The We-Fi funds will constitute at least 20% of the total loan principal of each SME loan onlent by financial intermediaries to incentivize participating institutions to extend loans to new and/or existing women entrepreneurs. An additional 5% will be added for women in underserved<sup>49</sup> regions of Sri Lanka. Women who complete the training program (see Component 3) will benefit from an additional 10% of We-Fi funds, reaching up to 35% of the total loan principal for women entrepreneurs in underserved regions, and up to 30% for women entrepreneurs in other regions. This is intended as an incentive for women to complete the training. Up to 616 subprojects are estimated to benefit from the lending support provided by the We-Fi grant.

**2. Minimizing Market distortions.** Under the Sri Lankan SME Line of Credit Project, banks will lend to borrowers at market rates. The proposed grant will reduce the amount of principal that the women entrepreneurs will need to borrow—thus making the loans more affordable—but will not distort the banks' lending rates. This is consistent with ADB's Operating Manual on Financial Intermediation Loans, which governs the credit line and in effect the proposed project, that provides guidance to minimize market distortions. This Operating Manual states that relending rates should have local cost anchors, which best reflect the costs of raising such funds locally and avoid discouraging domestic resource mobilization.<sup>50</sup>

Furthermore, participating financial institutions will be expected to comply with the requirements for selecting eligible subborrowers set forth in the Additional Finance for Small and Medium-sized Enterprises Line of Credit Project (Project Number: 49273-002) that is currently being processed including:

- i. Subborrowers must be economically and financially viable;
- ii. Subborrowers may not be related parties of the participating financial institution's board or senior management;

<sup>49</sup> Refers to the lagging regions which are Sri Lankan regions that contribute the least to GDP, have a low GDP per capita and a higher poverty rate when compared to other regions. These have been identified as the regions of Uva, Sabaragamuwa, Northern and the Eastern provinces.

<sup>50</sup> ADB. 2013. *Operations Manual/Bank Policies on Financial Intermediation Loans (OM Section D6/BP)*. Manila.

- iii. Subborrowers (the parent company and any subsidiaries) must have an annual turnover under SLRs 750 million or less than 300 employees if in manufacturing or 200 employees if in services; and
- iv. Subborrowers must contribute equity, if required by the PFIs, to subprojects as per commercial norms.

**3. Mobilization.** The We-Fi funded SME credit line program in Sri Lanka is expected to crowd in additional private sector investments of up to \$2.1 million in favor of We-Fi. By 2019, participating banks, as mandated by regulatory requirements, are expected to maintain 12.5% in total risk-weighted capital ratio. More specifically, the risk weight on SME loans is 75%. As such, participating financial institutions would have to set aside \$0.09 of their capital for every \$1 of lending to women-led borrowers even if they receive funds from We-Fi. Thus, for \$23.2 million of credit onlent to women entrepreneurs, financial institutions are estimated to set aside \$2.1 million as capital requirement.

\$9.5 million of lending support targeting women entrepreneurs will complement ADB's additional line of credit for SME financing in Sri Lanka. The grant will fund 20%–35% of loan principal for loans extended to women entrepreneurs; the remaining balance will crowd in equity contribution from the women entrepreneurs themselves and credit onlent by participating financial institutions from ADB's funding. In addition, the risks still lie with the banks that are extending the loans to the women borrowers segment. Banks will have to set aside \$0.09 for every \$1 that they lend to women-led SME borrowers. For every \$1 of We-Fi grant, 2.4 times of ADB funding will be crowded in, 0.2 times of capital will be set aside by participating financial institutions for their lending to women-led SME borrowers for a total subproject leverage of 3.7 times.

**4. Financial Sustainability:** The project is economically and financially viable and sustainable. Economically, the gains are likely to come from the project's requirement to lend to women-owned/led SMEs that struggle to access finance. Providing SMEs with better access to finance has a multiplier effect because SMEs can borrow to (i) invest in more productive technologies and (ii) enlarge their businesses to achieve economies of scale. These gains are especially significant in economies, such as Sri Lanka's, where unmet SME credit demand is significant, and where private sector investment is seen as an engine of growth. Financially, the banks assess each subproject for its capacity to make timely repayment.

The program's design includes several governance and sustainability mechanisms, including (i) steering committee oversight; (ii) well-developed project reporting that provides detailed data on the subloans; and (iii) close working partnerships with key public and private sector actors in Sri Lanka to promote long-term institutionalization of key principles, actions and components of the project.

Partner Financial institutions have been selected based on stringent criteria. Domestic banks in good standing with the Central Bank of Sri Lanka (CBSL), whether publicly or privately owned, are eligible. Eligibility criteria includes:

- (i) CBSL must have confirmed at project inception that the participating financial institution (PFI) is in good regulatory standing, including its corporate governance, reputation/integrity, and compliance with anti-money laundering requirements;
- (ii) Due diligence of Asian Development Bank (ADB) of the PFI is satisfactory;
- (iii) The PFI complies with CBSL's regulatory capital minimum as of its last audited financial statements or as confirmed by its auditor;
- (iv) The PFI has a net nonperforming loan ratio less than or equal to 5.0% as of its last

- audited financial statements or as confirmed by its auditor;
- (v) The PFI was profitable as of its last audited annual financial statements;
- (vi) The PFI must have tangible equity of at least SLRs1 billion as of its last audited financial statements as confirmed by its auditor;
- (vii) The PFI must maintain a management information system that can provide semiannual reports on subloan disbursements, repayment performance, lending spreads, targeted SMEs, and other subproject and subborrower information;
- (viii) The PFI must consent that ADB can publicly disclose detailed data on the PFIs' performance and the subloans; and
- (ix) The PFI can maintain separate records of subloans under the project.

Under the Additional Financing for Small and Medium-sized Enterprises Line of Credit Project (Project Number: 49273-002), the development targets have been raised from the original loan. For a participating financial institution to qualify for a subsequent round of funding:

- i. 20% of the number of subloans (previously 10%) must be onlent to first-time borrowers of a licensed commercial or specialized bank;
- ii. 20% of the number of subloans (previously 5%) must be onlent to women-led SMEs;
- iii. 70% of the amount of subloans (previously 50%) must be lent cumulatively to targeted SMEs, including SMEs that are (a) located outside of Colombo District, (b) borrowing for working capital that is not collateralized by fixed or financial assets, (c) led by women, or (d) first-time borrowers from commercial or specialized bank; and
- iv. 80% of the amount of a bank's allocation must be onlent.

**5. Safeguards Management.** As a grant complementing an ADB project, this We-Fi program will be subject to ADB's Safeguard Policy Statement (SPS) which aims to promote sustainability of project outcomes by protecting the environment and people from projects' potential adverse impacts by avoiding adverse impacts of projects on the environment and affected people, where possible; minimizing, mitigating, and/or compensating for adverse project impacts on the environment and affected people when avoidance is not possible; and helping borrowers/clients to strengthen their safeguard systems and develop the capacity to manage environmental and social risks. The We-Fi program will be implemented in line with national labor standards and other domestic legislation related to gender equality.

In addition, partner financial institutions will have to ensure that the subloans finance subprojects with no involuntary resettlement or indigenous peoples impacts under ADB's Safeguard Policy Statement. Furthermore, subprojects may have environmental impacts that are not significant (categorized as B under ADB's Safeguard Policy Statement) only if the PFI maintains an environmental management system acceptable to ADB and that environmental management system has certified that the subloan is compliant with national laws and ADB's Safeguard Policy Statement. Safeguard due diligence concluded that five out of the ten banks have safeguard and environmental management systems that meet ADB's standards. As part of the original project's implementation, an ADB safeguards officer has conducted site visits to 12 subprojects and did not identify any material environmental or safeguard issues.

**4. Provide a plan and timeline for how the monitoring and evaluation will be carried out for all program activities.** Describe the proposed mechanisms and procedures for monitoring the program to ensure that activities occur as planned, that they remain directed

towards stated objectives, that they reach and increase the number and/or growth of women-owned/led SMEs. Be as specific as possible with regard to what data will be collected (i.e. SMEs by sector, urban/rural, etc.) and the time period during and after implementation over which data will be collected. Preference will be given to proposals with a plan for collecting and sharing data and those that include an impact evaluation. IPs will be expected to report on program implementation and results annually.

To monitor the project, a few components will be implemented. The monitoring and evaluation mechanism includes a **rigorous impact evaluation** that will use a randomized encouragement design to estimate the effect of the grant project on women-led SMEs including on the economic and social outcomes. A baseline survey will be conducted at the start of the project lifecycle and an endline survey will be implemented two years after the encouragement.

**Focus group discussions.** In addition, focus group discussions will be conducted to provide a qualitative assessment of the impact of the grant. A baseline survey will be implemented at the start of the project lifecycle and an endline survey will be conducted a year after the last disbursement.

**Data collection.** Through the original line of credit (Project Number: 49273-001) and the additional line of credit (Project Number 49273-002), data has been collected on credit onlent to SME borrowers including women-led SME borrowers. Similarly, data will continue to be collected by an in-house consultant at the Sri Lankan Resident Mission. This dataset includes the size of SMEs, average labor force size, purpose of loan, loan principal, interest rates and type of collateral. The statistics will be made available on an annual basis.

**Data dissemination.** Findings from the ADB-funded policy paper to assess regulatory gaps in policy support for women's entrepreneurship, results of the impact evaluation and from the focus group discussions, as well as final report on the grant-funded component will be shared with key stakeholders through regional seminars, and online and paper publications.

**Comprehensive project monitoring.** In addition, ADB's existing project monitoring and evaluation mechanism will be adopted to ensure timely project implementation and to troubleshoot when issues arise

## Voices of women entrepreneurs positively affected by current ADB SME credit line

The following are stories of how the lives of three women entrepreneurs have changed as a result of the SME financing program carried out through support from ADB. They represent just a handful of people, including women, whose livelihoods have been enhanced by policies on improving access to finance for SMEs.

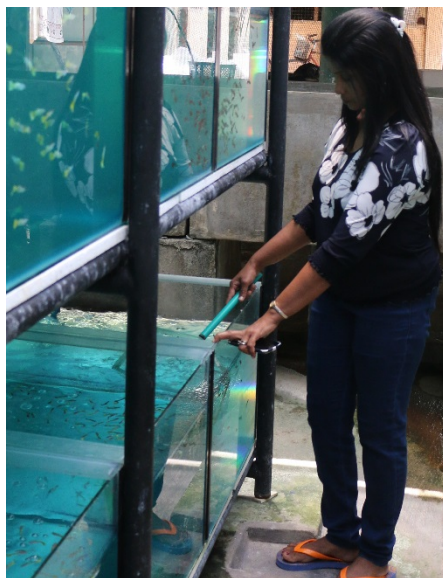
### A. Y.L. Achala: Start Small but Dream Big

Y.L. Achala knew nothing about fish until 15 years ago when she married Rohana, who, at the time, helped manage the largest aquarium in the Government of Sri Lanka's Department of National Zoological Gardens. He was the one who gave her first lessons in fish farming.

Now she owns Spring Valley Fish Farm in the western Sri Lanka town of Bandaragama and her mainstay is breeding and exporting ornamental fish. These days, she is focusing on specially-bred varieties of guppy, most of which are exported to Australia and New Zealand where demand is rising. In all, she reckons she exports around 10,000 to 20,000 fish monthly.

Given increasing calls for her fish and for the top-quality service she always seeks to provide, Achala was keen to expand and started to scout locations for a second sales outlet. Thanks to ADB's SME Line of Credit Project, she will soon be able to realize her goal.

*"I heard from National Development Bank that there is a financing scheme for small- and medium-sized enterprises from ADB and available through them. The process was quick and I managed to get the funds I needed within a week," she said. With the SLRs 3 million loan, she bought the land for the new shop and construction began in early January 2017.*



She is not only happy to be able to expand her business but is also extremely proud that she runs the biggest ornamental fish farm business owned by a woman in the whole country.

### B. Ayesha Fernando: Supporting Women One Bite at a Time

Ayesha Fernando, proprietor of Ayesha Bites, became the bread winner of her family when her husband passed away 20 years ago. To get by, she started a small snack business in Thimbirigaskatuwa located in Gampaha district with the help of two assistants. Today, she runs a family business with the assistance of two sons.



She does business on a cash and credit basis. About 15 buyers based in Colombo purchase products from Ayesha wholesale and distribute them island wide. She specializes in five different savory products. The production team is now around 22 employees, but she is frequently faced with lack of labor. To overcome the problem and to maintain the full production capacity, she needed to move from labor intensive



to machine oriented production. Through the ADB SME credit line via Hatton National Bank, she was able to purchase a few machines which reduced her labor requirements.

She now presides over a smooth production process that gives her higher production efficiency and a safe environment for the workers. She bought a unit that automated the mixing process. Also, the traditional burners were replaced with diesel burners, which are safer, and more efficient. The conventional cutters were also replaced.

“I have come a long hard way as a widow and a business woman, and now I am looking forward for a more rewarding future,” she said.

### **C. Mahima Gunawardene: Commercial Flower Farming**

Mahima Gunawardene entered the floriculture business when she had to take the responsibility for her family after her husband’s death. She started the anthurium business in 1987 and with the help of Export Development Board entered the export market in 2000. Today, she runs the business along with her children.

She mainly exports anthurium varieties to the Maldives and middle eastern countries. The exports are in the range of 10,000 to 50,000 flowers per month. She supplements her own production through a network of “out growers”, which account for about 7,000 around the country. Ms. Gunawardene very much takes a mentoring role toward the out growers and supports them with training and help in accessing finance. Including the out growers, her business employs 34 people, 90% of whom are women. As demand is rising, she conducts training for prospective out growers every month to increase the supply.



Ms. Gunawardene is now in the process of building a centralized facility in Pasyala in western province for out growers and for tourists. This facility is equipped with green houses, a library for out growers, tissue culture lab, conference room, and other services. The four-storey facility will also have restaurants, a swimming pool, a fish feeding area, and a play area for kids. She borrowed from Sampath Bank via ADB’s SME credit line to fund part of this facility.

Her target is to open the centralized facility by 2019 and to expand her exports.