



## Contours on Micro, Small and Medium Enterprises (MSME) Funding Scheme in SAARC Member States

S No	Parameter	Comments
1.	<b>Mandatory Lending requirement</b>	<ul style="list-style-type: none"> <li>i. MSME Program is envisaged as extending line of credit <b><u>only under sovereign lending</u></b></li> <li>ii. <u>Uniform pricing shall be adopted across all SAARC Member States</u> as per the Credit Policy and E&amp;I Policy Guideline</li> </ul>
2.	<b>Priority Areas</b>	<p>SDF proposes to co-finance projects <i>in SAARC Member States</i> that facilitate:</p> <ul style="list-style-type: none"> <li>i. Shared Infrastructure creation</li> <li>ii. Cross Border Shared MSME cluster development/ up gradation that benefit MSME and encourage development of MSME</li> <li>iii. Development of Supply Chain: Some of the potential areas for development of Supply Chain, but not limited to, could be: <ul style="list-style-type: none"> <li>a. Climate Change</li> <li>b. Industrial Machinery</li> <li>c. Export Promotion</li> <li>d. Import Substitution</li> <li>e. Medical equipment</li> <li>f. Non Conventional Energy</li> <li>g. Solar</li> <li>h. Wind Energy</li> <li>i. Waste Management</li> <li>j. Waste to Energy</li> <li>k. Power Generation</li> <li>l. Power Transmission</li> <li>m. Others areas</li> </ul> </li> <li>iv. Projects entailing development of secondary and tertiary sector in focus areas of each SAARC Member State</li> <li>v. Other emerging sectors</li> <li>vi. SDF also proposes to co-finance projects that facilitate intra-SAARC Member State Trade and Investment</li> <li>vii. E-Commerce</li> <li>viii. Any other area related to MSME</li> </ul>
3.	<b>SAARC Member States involved</b>	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka.
<b>Broad contours of the proposed financing are:</b>		
4.	<b>Key borrowers</b>	<p>The loans may be extended to Government, public sector, corporate bodies, Special Purpose Vehicle (SPVs), private sector and others <u>under Sovereign Guarantee or Sovereign lending</u>. Some of the potential borrowers, but not limited to, could be:</p> <ul style="list-style-type: none"> <li>1. Lending to Sovereign government of SAARC Member State</li> </ul>



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		<p>for onward lending to MSME</p> <ol style="list-style-type: none"> <li>2. Lending to a body/ institution Banks/ Financial Institutions (FI's)/ Micro Finance Institution or any other institution(s) for onward lending to MSME under Sovereign guarantee of SAARC Member State</li> <li>3. Direct lending to industrial clusters for shared infrastructure creation under Sovereign guarantee of SAARC Member State</li> <li>4. Any other form of lending that benefits development of MSME in SAARC Member States under Sovereign Guarantee of SAARC Member State or under lending to SAARC Member State for onward lending to MSME</li> </ol>
5.	<b>Cross border projects</b>	<p>In line with the current E&amp;I policy guidelines.</p> <p>SDF also proposes to finance Export Oriented Units/ clusters that export to any other SAARC Member State.</p>
6.	<b>Borrowing limit</b>	<p>As per the E&amp;I Policy applicable at the time of execution of loan document. (As per the existing policy: USD 15 million per borrower).</p>
7.	<b>Security</b>	<p>MSME Funding to Sovereign Government of SAARC Member State or backed by Sovereign Guarantee of SAARC Member State: No security is required.</p>
8.	<b>Proposed Pricing for MSME Funding</b>	<p>In line with the pricing as applicable under E&amp;I Windows. Currently, 6m USD Libor + 2.00% + applicable charges</p> <p><i>Lending in local currency: SDF to lend in local currency, on case to case basis.</i></p>
9.	<b>Lending in Local Currency (in line with the existing approved E&amp;I Policy)  (In Compliance with Section 9 of SDF Bye-Laws)</b>	<p>SDF to lend in local currency, <b>in line with the existing approved E&amp;I Policy</b>, with repayment in local currency, without passing on the currency risk to the borrower, subject to:</p> <ul style="list-style-type: none"> <li>• Availability of SDF funds in local currency</li> <li>• SDF borrowing in local currency</li> <li>• Availability of Line of Credit from Multilateral Development Bank (MDB)/ Multilateral Development Financial Institution (MFI)/ other Regional Institutions/ Sovereign Funds/ Government of any SAARC Member State</li> <li>• Any other availability of funds in local currency</li> </ul>