

Public Information Summary

Host Country	Sri Lanka
Name of Borrower	Citizens Development Business Finance PLC (Sri Lanka)
Project Description	A \$30 million loan for on-lending to micro-, small, and medium-enterprises (“MSMEs”) in Sri Lanka with at least 25% of the facility to be used for Green asset lending ¹ and at least 40% to be used for financing to eligible MSME borrowers that qualify under the 2X program (“Eligible 2X Borrowers”) (the “Project”).
Proposed DFC Loan	\$30 million, 7-year loan.
All-Source Funding Total	\$40 million
Policy Review	
Developmental Objectives	The Project is expected to have a positive development impact in Sri Lanka by helping to address the country’s MSME financing gap, which is estimated to be approximately \$17 billion, or 21% of GDP. More specifically, the Project will seek to address this financing gap by allocating 100% of proceeds to MSMEs. Additionally, the Project will seek to improve the livelihoods of women by allocating at least of 40% of DFC proceeds to enhance access to finance to Eligible 2X Borrowers. The Project also intends to improve Sri Lanka’s energy security and reduce its GHG emissions by allocating at least 25% of proceeds to expand the Borrower’s portfolio of loans and leases to MSMEs for purchase and/or lease of electric vehicles, charging stations, small-scale energy storage facilities, and distributed rooftop solar systems.
Environment and Social Assessment	<p>The Project has been reviewed against the DFC’s 2020 Environmental and Social Policies and Procedures manual (“ESPP”) and has been determined to be categorically eligible. DFC direct loans to financial intermediaries for the expansion of lending to small, and medium enterprises are screened as a Category C for environmental and social assessment. These downstream investments are expected to result in minimal adverse environmental and social impacts. Therefore, all those downstream investments have been pre-screened as Category C and further review and consent is not required for these investments.</p> <p>To ensure that the Borrower’s investments are consistent with the DFC’s statutory and policy requirements, the DFC loan will be subject</p>

¹ “Green asset lending” for this transaction includes lending and/or leasing for the purchase and/or use of electric vehicles (including two-, three-, and four-wheeled vehicles), charging stations, small-scale storage facilities, and residential and commercial distributed rooftop solar generation systems.

	<p>to conditions regarding the use of proceeds. The primary environmental and social issues identified in this transaction relate to the need for an Environmental and Social Policy (“ESP”) that meets the 2012 IFC Performance Standards.</p> <p>Under the DFC’s ESPP, the Borrower is required to comply with applicable local and national laws and regulations related to environmental and social performance and applicable provisions of the 2012 International Finance Corporation’s Performance Standard (“PS”) 1 and 2. A desk-review based due diligence assessment indicates that because the Project will use DFC support to make loans to MSME’s in Sri Lanka, significant adverse impacts concerning community health and safety, biodiversity, land acquisition and resettlement, indigenous peoples, and cultural heritage are not anticipated; therefore, PS 3, 5, 6, 7, and 8 are not triggered at this time. The Borrower does utilize private unarmed security and therefore, relevant aspects of IFC PS 4, Community Health, Safety, and Security are triggered at this time.</p> <p>The has an Environmental and Social Risk Policy, grievance mechanisms, and human resources policies commensurate with its investment strategy but will require some strengthening regarding its environmental and social risk management policies regarding management training, child and forced labor risk analysis to meet the DFC’s 2020 Environmental Policy and Procedures.</p>
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