

Public Information Summary

Host Country(ies)	Sri Lanka
Name(s) of Borrower(s)/Guaranteed Party(ies)	SANASA Development Bank PLC
Project Description	Financing to expand the Borrower's on-lending portfolio to micro, small and medium enterprises ("MSMEs"), with a focus on women-owned MSMEs, in Sri Lanka (the "Project").
Proposed DFC Loan/Guaranty	\$40,000,000
All-Source Funding Total	\$50,000,000
Policy Review	
Developmental Objectives	The Project is expected to have a highly developmental impact on Sri Lanka through the expansion of the Borrower's MSME loan portfolio and on-lending to women-led or owned MSMEs. The COVID-19 pandemic has created both a demand and supply shock on Sri Lanka, which is classified by the World Bank as a lower-middle-income country. Public health measures to combat the spread of the virus such as lockdowns have led to decreased demand and supply-side problems culminating in a forecasted half percentage point contraction of the Sri Lanka economy. The pandemic's impact is especially hard for the country's MSMEs, which account for 52% of the country's GDP and employ over 75% of the labor force. Already, MSMEs are often constrained by lack of financing and the current MSME financing gap stands at \$17.1 billion. In addition to support for MSMEs, 40% of Project proceeds will be lent to women-owned or led MSMEs, while 95% will support rural borrowers. With only 35% of women economically active, support for women is important for the country's development. Currently, only 12% of the country's MSMEs are woman-owned or led.
Environment and Social Assessment	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. Loans to banks 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, the downstream investments have been pre-screened as Category C and further review and consent is not required for these investments.

To ensure that the Borrower's investments are consistent with the DFC's statutory and policy requirements, the DFC loan made to the Borrower will be subject 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.

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. Because the Borrower will utilize private security, the specific requirements found within PS 4 Community Health, Safety, and Security for security forces will also apply.

A desk-review based due diligence assessment indicates that because the Project will use DFC support for the expansion of lending to small, and medium enterprises ("SMEs") in Sri Lanka in the sectors of manufacturing, trade, and agriculture, 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 has a basic environmental and social management system ("ESMS") that is comprised of grievance mechanisms, environmental and social risk identification and mitigation procedures, and human resources policies commensurate with its investment strategy, but will require some strengthening regarding its environmental and social risk management policies in order to meet the DFC's 2020 Environmental Policy and Procedures.