

Public Information Summary

Host Country	Sri Lanka
Name of Borrower	National Development Bank PLC
Project Description	Financing to expand the Borrower's on-lending to MSMEs in Sri Lanka with a focus on 2X-eligible enterprises (the " Project ").
Proposed DFC Loan/Guaranty	\$75 million
All-Source Funding Total	\$93.75 million
Policy Review	
Developmental Objectives	<p>The Project is expected to have a highly developmental impact on the economy of Sri Lanka through the provision of financial services to MSMEs. The Sri Lankan economy is heavily dependent on the health of MSMEs as they account for 52% of the country's GDP and employ over 75% of the labor force. Yet, MSMEs often lack access to capital, as the current financing gap stands at over \$17.1 billion. The limited access to financing is further compounded by the economic fallout caused by the Covid-19 Pandemic, which resulted in the economy contracting by 4.6% in 2020. In addition, through the expansion of lending, the Project is expected to support the Borrower's creation of over 50 new formal jobs, in a country where an estimated 70% of the population works in the informal sector.</p>
Environment and Social Assessment	<p>The Project has been reviewed against DFC's 2020 Environmental and Social Policies and Procedures ("ESPP") and has been determined to be categorically eligible. Loans for the purposes of MSME lending are screened as Category C projects for the purpose of environmental and social assessment in accordance with DFC's ESPP. These downstream investments are expected to result in minimal adverse environmental and social impacts. Therefore, all of 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 investments are consistent with DFC's statutory and policy requirements, the DFC loan 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.</p>

Under 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 for MSME lending in Sri Lanka, significant adverse impacts concerning community health and safety, biodiversity, land acquisition and resettlement, indigenous people, and cultural heritage are not anticipated; therefore, PS 3, 5, 6, 7, and 8 are not triggered at this time. The Borrower does utilize unarmed security guards and therefore, aspects of PS 4; Community Health, Safety and Security are triggered.

The Borrower 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 Human Resources and Environmental and Social Policies in order to meet DFC's 2020 ESPP.