



# Dutch Good Growth Fund

## **Notice proposed transaction 20181029 Sanasa Development Bank**

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Taking into account the provisions for governing bodies that apply under the 'Freedom of Information Act' ('Wet openbaarheid van bestuur') and the 'Data Protection Act' ('Wet bescherming persoonsgegevens'), the Fund Manager of the DGGF part 'Financing local SMEs' will publish its anticipated transactions.

### **Views**

Parties can express their views on the proposed transaction to the Fund Manager by contacting [dggf@nl.pwc.com](mailto:dggf@nl.pwc.com) within 30 days after the publication date of the notice. After the transaction has been closed, or after it has become clear that the transaction will not take place, the Fund Manager will respond as soon as possible to these Parties concluding on the expressed views by these Parties.

### **Description (English)**

#### **Part of DGGF**

Financing Local SMEs

#### **Name of Financial Institution (FI)**

Sanasa Development Bank ("SDB") is a licensed Specialized Bank offering financial services to SMEs, cooperatives and retail clients. The institution is headquartered in Colombo.

#### **Domicile FI**

SDB is domiciled in Sri Lanka.

#### **Nature of the activities of the FI**

The Sanasa Development Bank was established in 1997. The bank is an initiative of the Sanasa Movement (Sri Lanka's largest network of credit cooperatives), to serve the banking needs of the cooperatives and rural low-income communities. The Bank's head office is located in Colombo, and its operations are spread across Sri Lanka through a network of 90+ branches. As of June-18, GLP stands at ~EUR 406 million, with 65% in rural areas (compared to banks which have 70-80% of their activities in the Colombo area). The bank offers financial services to over 120k clients, 42% of which are women. The bank's clientele consists of retail clients, SMEs and cooperatives.



### **Size of proposed investment**

DGGF will provide a loan to SDB in local currency, with equivalent of USD 10m million.

### **Intended transaction date**

The Fund Manager aims to close the agreement with SDB in the fourth quarter of 2018.

### **Expected financial results**

A positive financial return on the investment is expected.

### **Expected impact**

SDB finances underserved SMEs in rural and semi-urban areas in Sri Lanka where the offer of financial services to SMEs is limited. The institution's products and processes are tailored to the needs of SMEs. The DGGF loan will be used to finance the portfolio of loans between USD 15k and USD 200k and is expected to finance approximately 500 SMEs who employ an estimated average of 8 employees each. Through SDB's dedicated SME product for young entrepreneurs, DGGF expects a significant share of the funding to support young entrepreneurs. Next to financial services, SDB provides some advice to SME clients and plans to formalize and expand this through the set-up of dedicated SME centres. DGGF's subordinated debt to the institution will allow it to strengthen its capital base and continue the strategic goal of expanding its SME activities.

### **ESG compliance**

SDB will develop an ESG policy and ESMS to make it compliant with the guidelines of the DGGF ICSR Policy. The institution will subsequently train loan officers and management on the updated ESG procedures. SDB is also in the processes of hiring a dedicated ESG officer.

### **Tax compliance**

SDB is domiciled in Sri Lanka and subject to the statutory tax rates. The institution will lend to SMEs located in Sri Lanka. SDB is not making use of artificial constructions to lower its taxation or the taxation of the SMEs which it finances and DGGF's investment conditions focus on ascertaining this. The institution requires SMEs that it finances to comply with local laws and regulations, among others those in respect of tax. DGGF will actively monitor whether SDB meets its ongoing tax obligations and act in accordance with the DGGF tax criteria.