

Public Information Summary

Host Country(ies)	Pakistan
Name(s) of Borrower(s)/Guaranteed Party(ies)	Khushhali Bank
Project Description	A 50% loan portfolio guaranty to mobilize commercial loans to micro, small and medium enterprises (“MSMEs”) operating in Khyber Pakhtunkhwa Province (KP) and its Newly Merged Districts (NMDs).
Proposed DFC Loan/Guaranty	\$10 million
All-Source Funding Total	\$30 million
Policy Review	
Developmental Objectives	<p>The Project is expected to have a highly developmental impact on the economy of the Khyber Pakhtunkhwa Province and Newly Merged Districts of Pakistan through loans to low-income individuals and MSMEs in the region. Many firms in the area lack access to a bank account, and those who do seek credit find existing products prohibitively expensive. In combining the former Federally Administered Tribal Areas (FATA) of Pakistan with Khyber Pakhtunkhwa to create the NMDs, Pakistan’s government specifically sought to promote collateral-based lending in the NMDs to grow its economy and integrate it with the rest of Pakistan. Khushhali Bank’s microfinance lending efforts in the Newly Merged Districts is expected to support the Government of Pakistan’s efforts to build the region’s economy.</p>
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 loan portfolio guaranties for the expansion of lending to micro, 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 Guaranteed Party’s investments are consistent with the DFC’s statutory and policy requirements, the DFC loan portfolio guaranty 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>

	<p>Under the DFC’s ESPP, the Guaranteed Party 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 supporting the expansion of its on-lending to Micro, Small, and Medium Enterprises (“MSMEs”) in Pakistan, 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 Guaranteed Party does use private security and therefore, aspects of IFC PS 4 Community Health, Safety, and Security are triggered.</p> <p>The Guaranteed Party 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 and generally aligns with the DFC’s 2020 Environmental Policy and Procedures. However, the Guaranteed Party will be required to update aspects of its risk assessments related to forced/child labor, supply chain risks, modify its human resources policy, and provide evidence that its privately contracted security is trained in accordance with principles described in IFC PS 4 prior to effectiveness of the guaranty.</p>
--	---