

Public Information Summary

Host Country	Republic of Armenia
Name of Guaranteed Party	SEF International UCO LLC
Project Description	A loan portfolio guaranty with SEF International to catalyze lending to MSMEs with a focus on 2X eligible borrowers.
Proposed DFC Loan/Guaranty	\$4,000,000, 8-year tenor
All-Source Funding Total	\$8,000,000 loan portfolio guaranty
Policy Review	
Developmental Objectives	<p>This Project is expected to have a highly developmental impact through the provision of loans to MSMEs, including women owned MSMEs and MSMEs in the agriculture sector. While Armenia is an upper-middle-income country which has made a lot of developmental progress over the past decade, unemployment remains very high at nearly 20% and the effects of the 2020 Nagorno-Karabakh war and the COVID-19 pandemic have adversely affected the country's economy broadly, and SMEs and microenterprises in particular. The World Bank has projected that these economic shocks could cause over 720,000 Armenians to suffer from downward mobility and send 70,000 into poverty .</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 to Microfinance Institutions ("MFI") for the purpose of expanding lending to microenterprises 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 are 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 the expansion of the Guaranteed Party’s microenterprise lending in Armenia, 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 Guaranteed Party does contract with local police for security and therefore, relevant aspects of PS4, Community Health, Safety, and Security are triggered.</p>
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