Public Information Summary

Host Countries
Global – Current portfolio ranges from Low Income ("LICs," 7.4% of total exposure), Lower Middle Income Countries ("LMICs," 42.8%), to Upper Middle Income Countries ("UMICs," 49.8%)

Name of Counterparty / Issuer
MCE Social Capital ("MCE")

Project Description
MCE is a U.S.-based nonprofit organization with a mission to empower those living in poverty to build a better future by providing access to capital on terms unavailable through traditional channels. MCE is an "impact-first" lender that provides loans to financial service providers and small businesses in emerging and frontier globally and focuses thematically on financial inclusion, agriculture, women, and climate resilience. DFC's $30M loan to MCE will fund their on-balance sheet lending portfolio to these companies.

DFC Product Type
Debt Financing

DFC Investment / Insured / Equity Amount
$30,000,000

Total Project Costs
$60,000,000

U.S. Involvement
MCE Social Capital ("MCE")

Policy Review

U.S. Economic Impact

This project is expected to have a neutral impact on the U.S. economy. There is no U.S. procurement associated with DFC involvement in this transaction. In addition, there is no potential for a negative impact on U.S. employment, as this Project involves the provision of financial services to MSMEs in the agribusiness sector worldwide.

Developmental Objectives

An estimated 1.7 billion people and 131 million micro, small, and medium enterprises ("MSMEs") in emerging and frontier markets lack access to formal financial services and adequate capital. Globally, MSMEs represent approximately 90% of businesses, employ 60-70% of people, and account for 50% of GDP. They contribute to local and national economies and to sustaining livelihoods, especially among the working poor, women, youth, and groups in vulnerable situations. Despite their importance, MSMEs face an estimated financing gap of $4.75 trillion, with women owned/led MSMEs accounting for $1.53 trillion of that total.

In response to these challenges, the project is expected to have a positive development impact in emerging and frontier markets across Latin America, Africa, and Asia by increasing access to finance for MSMEs. Approximately 90% of project proceeds will be provided to financial service providers who serve MSMEs in their respective markets. The remaining 10% of Project proceeds will go directly to small and growing businesses ("SGBs") in agriculture, water and sanitation, and clean energy that create sustainable jobs in rural economies, raise smallholder farmers' income, and increase climate resilience. DFC has qualified the project as 2X based on the MCE's intent to meet and/or exceed the 2X criteria for leadership and investments through financial intermediaries. Given the project's characteristics, it is categorized as Exceptionally Impactful per DFC's Impact Quotient.

Environment and Social Assessment

Screening:

The project has been reviewed against the DFC's 2024 Environmental and Social Policies and Procedures manual ("ESPP") and has been determined to be categorically eligible. DFC debt facilities provided to financial intermediaries who will invest in financial service providers ("FSPs") and small and medium enterprises ("SMEs") are screened as a Financial Intermediary C (FI-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 low risk and further review and consent is not required for these investments.

Applicable Standards:

To ensure that MCE's investments are consistent with the 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.

Under the DFC's ESPP, MCE 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 MCE will use DFC support to make subsequent investments in FSPs and SMEs globally, significant adverse impacts concerning community health and safety, biodiversity, land acquisition and resettlement, indigenous peoples, and cultural heritage are not anticipated; therefore, PS 3, 4, 5, 6, 7, and 8 are not triggered at this time.

Environmental and Social Risk and Mitigation:
MCE has an environmental and social management system, human resources policies, grievance mechanisms, and client protection standards commensurate to the risks in its investment strategy and generally aligned to requirements found in IFC PS 1 and PS 2. However, it will be required to update its ESMS to include a methodology to track and report its Scope 1 and Scope 2 GHG emissions as required by the DFC's 2024 ESPP.