

Public Information Summary

Host Country	Egypt (LMIC)
Name of Fund	LCP Fund II Cooperatief U.A.
Name of Investment Manager	Lorax Capital Partners
Project Description	The Fund invests growth capital in medium-sized businesses in Egypt that align with one or more of four key themes: consumer-driven sectors, financial services, import substitution, and expanding geographical presence.
Proposed DFC Equity Investment	\$25 million
Target Fund Size	\$250 million
Policy Review	
Developmental Objectives	The Fund is expected to have a highly developmental impact on Egypt’s private sector through an up to \$250 million investment in underrepresented market sectors. During the early stages of the COVID-19 pandemic, Egypt experienced capital outflows of more than \$15 billion as investors pulled out of emerging markets. Despite the financial and other challenges of the pandemic, the country was one of the few to experience a positive growth rate during 2020. The Fund intends to positively contribute to the country’s economic growth after a pandemic slowdown by connecting its portfolio investments to business networks and technological resources. The Fund’s key areas of focus include consumer-driven sectors, financial inclusion, and import substitution.
Environment and Social Assessment	<p>This Project involves a DFC equity investment of up to \$25 million to LCP Fund II (“LCP” or “the Fund”) to support consumer-driven sectors such as education, financial services, healthcare, and agriculture (the “Portfolio Companies”) in Egypt (the “Project”). The total expected Fund size is up-to \$250 million with a life of 10 years and the option to extend up to two one-year periods. Fundraising is currently underway and expected to include EAEF, EIB, EBRD, IFC, Proparco and other investors. The Fund is expected to make six to ten investments of \$20-50 million each, with a focus on consumer driven sectors, financial inclusion, import substitution, and expanding Egypt’s access to international markets.</p> <p>The Project has been reviewed against DFC's 2020 Environmental and Social Policy Procedures ("ESPP") and has been determined to be categorically eligible. Equity investments into funds are screened as a Category D activity for the purposes of environmental and social assessment. Based on DFC’s due diligence, the Fund’s downstream</p>

	<p>investments are anticipated to pose medium or limited environmental and social risks that are site specific and can be readily mitigated through the application of sound environmental and social management practices.</p> <p>Consistent with DFC's policy on policy assessment of financial intermediary transactions (dated April 2020) the Fund is eligible for delegated responsibility for the application of DFC's policies related to environmental and social impact assessment, risk management and monitoring. To ensure that the Fund's investments are consistent with DFC's statutory and policy requirements, the Project will be subject to conditions regarding the use of the DFC proceeds.</p> <p>The primary environmental and social issues identified in this transaction relate to the need for a strong Environmental and Social Management System that meets the IFC Performance Standards to ensure that downstream investments associated with healthcare (specifically associated with primary, secondary, and tertiary care) are developed in accordance with DFC's Environmental and Social Policy and Procedures ("ESPP"). DFC will monitor the effectiveness of the Fund's application of DFC policies throughout the Project's life cycle.</p> <p>A virtual¹ due diligence assessment indicates that because the Project involves an investment in a financial intermediary, significant adverse impacts with respect to 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.</p> <p>DFC's ESPP requires fund managers to maintain an ESMS that appropriately identifies, assesses, manages, and monitors risks with respect to the IFC Performance Standards the General and Sector-specific EHS Guidelines. The Fund has an adequate ESMS that has been previously vetted and approved by IFC representatives but will require some strengthening related to its internal grievance mechanism prior to receipt of DFC support.</p>
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¹ Due to the coronavirus pandemic, in-person interviews and site visits were not possible for this Project.