Board of Directors Meeting
Wednesday, December 4, 2024, 2:30 PM [1]
Agenda

I. **CHAIRMAN OPENS MEETING**

II. **CEO's REMARKS**

III. **PROJECT APPROVALS AND PREVIEWS**

a. Banco Rio SAECA
b. Frontier Clearing Corporation
c. Preview of January Deals

IV. **REPORTS TO THE BOARD**

a. Audit Committee Report
b. Update: Clean Energy Supply Chain
c. Sector Strategy Briefings

V. **ADMINISTRATIVE AND POLICY-RELATED APPROVALS**

a. Minutes – September 5, 2024 Board of Directors
b. FY 2024 Dividend Assessment and Resolution
c. Independent Accountability Mechanism (IAM) Terms of Reference

VI. **EXECUTIVE SESSION**

VII. **CHAIRMAN ADJOURNS MEETING**

[1] The December Board meeting will follow the Public Hearing session that will be held from 2:00 pm -2:30 pm.

Public Information Summaries

Host Country

Paraguay

Name of Counterparty

Banco Rio S.A.E.C.A.

Project Description

Onlending to SMEs with at least 30% of DFC Loan proceeds earmarked for women-owned or women-led SMEs.

DFC Product Type

Debt Financing

DFC Investment

$70,000,000

Total Project Costs

$87,500,000

U.S. Involvement

N/A

Policy Review

Developmental Objectives

In Paraguay, SMEs represent 95% of businesses and provide 70% of all jobs, yet SMEs face a financing gap of nearly $4 billion. Despite their importance, they face significant challenges securing credit, especially long-term credit from the local banking sector. Women-owned/led SMEs face additional challenges in the country where women's economic participation and opportunity lags to that found in most counterpart countries of the greater Latin America and Caribbean region. Additionally, over half of Paraguayans live in rural areas, and while urban poverty decreased in recent years, rural poverty increased over the same period, reaching more than a 12% gap in poverty rates between the two groups as of 2021.

In response to these development challenges, the Project is expected to have a positive development impact in Paraguay by providing critical financing to SMEs, with at least 30% of on-lending targeted to women- owned/-led SMEs and an estimated 17% to be provided to rural borrowers. The Project will provide longer tenor loans, which are uncommon in the Paraguayan market for SME finance, and is aligned to the 2X criteria for leadership and investments through financial intermediaries. Given the Project's characteristics, it is categorized as Impactful per DFC's Impact Quotient.

Environment and Social Assessment

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 senior unsecured direct corporate loans to financial institutions who will utilize the loan to expand their small, and medium enterprise lending 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 of those downstream investments have been pre-screened as low risk and further review and consent is not required for these investments.

To ensure that the Bank'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, the Bank 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 Bank's SME lending in Paraguay, significant adverse impacts concerning 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 Bank does utilize private security and as such, relevant aspects of IFC PS 4, Community Health, Safety, and Security are triggered.

The Bank has a basic environmental and social policy, grievance mechanisms, and human resources policies that generally align with the expectations listed in the DFC's 2024 Environmental Policy and Procedures and IFC PS 1 and 2. The Bank will be required to provide updates to its Environmental and Social Policy regarding GHG emission tracking, child and forced labor risk assessments, and provide updates to its Human Resources Policy to align with DFC's expectations as a condition of receipt of DFC support.

Host Country(ies)
Global in DFC-eligible countries.

Name of Counterparty / Issuer
FCC Securities B.V.

Project Description
A loan to FCC Securities B.V. to support financial sector development by strengthening local money markets through financing the entry into repurchase agreements and other liquidity facilities.

DFC Product Type
Debt Financing

DFC Investment / Insured / Equity Amount
$100,000,000

Total Project Costs
$184,375,000

U.S. Involvement (If not applicable, put N/A)
N/A

Policy Review

U.S. Economic Impact
This Project has no potential for a negative impact on the U.S. economy.

Developmental Objectives

Interbank lending and money markets serve as the cornerstone of a mature and efficient financial ecosystem by introducing increased liquidity for financial institutions and thereby supporting banking activities, including expanding access to credit. However, many less developed markets lack the financial instruments, legal and regulatory framework, and financial infrastructure to transact in cross-border or even domestic money markets. Specifically, the lack of interbank liquidity increases liquidity risk at the local bank level, incentivizing local financial institutions to utilize deposits to purchase local bonds. In the absence of liquidity options, these institutions typically hold these bonds to maturity, further straining local lending.

In response to this challenge, the Project is expected to have a positive development impact by supporting increased liquidity in local money markets across DFC-eligible countries. The Project will support this capital deepening by purchasing government bonds held by local financial institutions in repurchase agreements ("repos"), with the objective of providing short-term liquidity that supports these institutions' banking activities as well as the efficiency of financial markets. The Project is complemented by Frontclear's comprehensive technical assistance program, which seeks to address legal and regulatory challenges, improving related technology and financial infrastructure, and training on globally standardized liquidity management instruments. Given the Project's characteristics, it is categorized as Highly 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 loans to financial market development companies for the purpose of engaging in repos with financial institutions are screened as 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. To ensure that the Borrower's repos 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.

Applicable Standards:

Under the DFC's ESPP, the Borrower 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 repos with financial institutions for the growth of local money markets in developing countries, 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:

The Borrower does have an environmental and social policy as described in IFC PS 1, grievance mechanisms, and human resources policies generally commensurate with its investment strategy. However, the Borrower will be required to provide updates to the E&S Policy and Code of Conduct, and create an anonymous submission channel for the worker grievance mechanism to align with IFC PS 1, PS 2, and DFC's 2024 ESPP.