

Public Information Summary

Host Country

Guatemala

Name of Counterparty

Banco Industrial S.A. (“BI”)

Project Description

On-lending to micro-, small- and medium-sized enterprises (“MSMEs”) with a focus on women-owned businesses in Guatemala as follows: 60% to women-owned/women-led MSMEs (“2X MSMEs”), 10% to small- and medium-sized enterprises (“SMEs”) for climate finance (“Climate SMEs”), and 30% to other MSMEs, including 20% of total project cost to rural MSMEs (collectively, the “Project”).

DFC Product Type

Debt Financing

DFC Investment

\$300,000,000

Total Project Costs

\$375,000,000 (including a \$75,000,000 capital contribution from BI).

U.S. Involvement

N/A

Policy Review

Developmental Objectives

Limited access to financing for MSMEs is a barrier to sustainable economic development and poverty reduction in Guatemala. Despite being the largest economy in Central America, Guatemala has high social inequities which have been further exacerbated by climate change. Access to finance is constrained for MSMEs, particularly for rural and women-owned/-led enterprises, due to high documentation and collateral requirements, inaccessible financing terms, and geographic barriers. The resulting \$14.2 billion MSME finance gap limits economic growth and productivity gains in Guatemala.

In response to these challenges, the Project is expected to have a positive development impact in Guatemala by expanding lending to MSMEs, specifically 2X MSMEs as well as Climate SMEs. DFC has also assessed the Project for 2X alignment based on BI’s intent to meet and/or exceed the 2X criteria for women’s representation in the BI workforce and the percentage of on-lending to 2X MSMEs. Given the Project characteristics, it has been categorized as Highly 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 loans to financial institutions for the expansion of on-lending to MSMEs are categorized 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.

To ensure that the Borrower's loans are consistent with the DFC's statutory and policy requirements, the DFC direct 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 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 on-lending to MSMEs with a focus on 2X MSMEs, Climate SMEs, and rural MSMEs in Guatemala, 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. BI does utilize private security and therefore, relevant aspects of IFC PS 4, Community Health, Safety, and Security are triggered.

The Borrower does have an Environmental and Social Policy ("ESP") as described in IFC PS 1, grievance mechanisms, and human resources policies. However, the Borrower will be required to provide updates to ensure the ESP is adequately aligned with IFC PS 1 and 2 commensurate with its investment strategy; human resources policies and the worker grievance mechanism are aligned with IFC PS 2; and the Borrower is committed to client protection standards in compliance with DFC's 2024 ESPP.