Public Information Summary- Sudameris Bank, S.A.E.C.A.

Host Country

Paraguay

Name of Counterparty

Sudameris Bank, S.A.E.C.A.

Project Description

DFC financing to support on-lending to small and medium enterprises (“SMEs”) with 30% of the proceeds earmarked for women-owned or women-led SMEs in Paraguay.

DFC Product Type

Debt Financing

DFC Investment Amount

$180,000,000

Total Project Costs

$250,000,000

U.S. Involvement

JPMorgan Chase, N.A.

Policy Review

U.S. Economic Impact

The Project is not expected to have a negative impact on the U.S. economy.

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 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 a specific focus on women-owned/-led SMEs and 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 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 lending to small- and medium-enterprises ("SME") 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.

To ensure that the Borrower's loans 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 2024 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 SMEs in various sectors including women-owned and women-led businesses in Paraguay, 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. The Borrower does utilize private security and therefore, relevant aspects of IFC PS 4, Community Health, Safety, and Security are triggered.

The Borrower does have a partially aligned 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 align with DFC's 2024 ESPP.