

PROJECT ABSTRACT

June 6, 2014

Project Name: Internationalization of SMEs Financing Facility
Country: Regional
Sector: Financial Intermediaries
Project Number: RG-X1217

The objective of this Facility is to promote internationalization activities of small and medium sized enterprises (“SMEs”), particularly trade and new foreign direct investment projects in Latin America and the Caribbean (“LAC”), by addressing financing gaps in these areas and strengthening financing channels. The Facility will have two primary focuses. The first focus will be to promote and support new foreign direct investment to LAC from European Union (“EU”) SMEs, given the positive influence on productivity and knowledge transfer these investments have in LAC. The Facility’s second area of focus is on promoting the access to finance for LAC SMEs that conduct trade activities between LAC and the EU, and enhance the international activities of these LAC SMEs. International trade and investment depends on the availability of special financial products, and it is well documented that SMEs face greater challenges accessing finance than those of large firms.

Under a joint programme between the European Investment Bank (“EIB”) and IDB to support companies seeking overseas expansion, IDB will provide an uncommitted facility of up to US\$250 million in the form of A Loans, together with mobilization efforts to provide an additional amount of up to US\$250 million, for a total of up to US\$500 million to finance eligible financial intermediaries. EIB in turn will provide financing to promote the internationalization efforts of LAC SMEs aimed at EU and EU SMEs trading with LAC.

Project Contribution to IDB Objectives

The proposed Facility is consistent with the IDB’s development goals established by the Ninth General Capital Increase (AB-2764) under the following lending program priorities: (a) Lending to Small and Vulnerable Countries, as the Facility will be available throughout the LAC region, and (b) Lending to Support Regional Cooperation and Integration, as the Facility will support integration through the “expansion of the coverage and depth of private finance (internationalization, trade, Foreign Direct Investment, etc.)”. In addition, the Facility will also be aligned with the priority of “Competitive regional and global international integration” outlined in the IDB results framework, addressing specifically the regional development goals of “Foreign direct investment net inflows as a percent of GDP” and “Trade openness (trade as percent of GDP)”. It is also consistent with SCF’s strategy and addresses the strategic target of financing 700,000 SMEs by 2015 and it is also aligned with SCF’s beyondBanking strategy and its accessBanking pillar.