

## **Trade Finance Facilitation Program Project Abstract**

**Project Name:** Regional Trade Finance Partial Credit Lines

**Project Number:** EC-L1028

**Country:** Ecuador

**Borrower:** Banco De Guayaquil

**Project Description:** The Program involves the establishment of a revolving Partial Credit Guarantee Facility (“PCG”) of US\$400 million to support short- and medium-term trade-related transactions with tenors not exceeding 3 years. The Bank will partially guarantee (i) documentary credit and documentary collection instruments issued by banks in Borrowing Member Countries (“Issuing Banks”) and confirmed by leading banks active in international trade finance (“Confirming Banks”), and (ii) pre-export financing provided to the Issuing Banks by the Confirming Banks.

**IDB Participation:** Uncommitted partial credit guarantee (with up to 90 percent coverage limit).

**Project Benefits:** The objective of the Program is to support economic reactivation and growth through the expansion of international trade financing to Latin American and Caribbean companies. It is expected that the Program will: (i) contribute to facilitate imports of critical capital goods and intermediary goods into the region (ii) allow Issuing Banks to extend more financing to local exporters and importers through the additional liquidity provided by Confirming Banks.

### **Environmental and Social Management Report**

This project is intended to support short-term trade finance operations. Consequently, there should be limited direct environmental, social, health and safety, or labor impacts and risks. Nevertheless, the types of indirect risks associated with this trade operation include: potential reputation risk associated with the Financial Institution, Importer’s or Exporter’s environmental and social practices; and potential credit risk associated with the Financial Institution, Importer’s or Exporter’s ability to repay their obligations. In order to mitigate these risks, Banco de Guayaquil will be required to prepare an Environmental Procedure to be applied to all trade operations under this Facility. The Environmental Procedure is a written procedure for evaluating potential environmental, social, occupational health and safety, or labor risks associated with trade finance operations that should include: (i) use of the list of excluded activities; (ii) process for assessing a potential eligible sub-borrower or eligible transactions in relation to the list of excluded activities and country requirements; (iii) process for collecting and reporting the necessary data and information for IDB to confirm eligible transactions’ compliance with the list of excluded activities; and (iv) training for the Banco de Guayaquil staff in use of the Environmental Procedure.