

SUMMARY OF THE PROJECT IN DESIGN * (*)

Marco: [SFIDF] Unlocking Economic Growth through Trade Financing

PITCH ELIGIBILITY DATE		COUNTRY(IES)
11/21/2024		Ecuador; México; Peru; Uruguay
ALIGNED WITH COUNTRY STRATEGY?		
Yes		
PARTNER(S)		
Marco		
PRELIMINARY CLASSIFICATION ENVIRONMENTAL AND SOCIAL IMPACT		
FI-2 (**)		
TOTAL BUDGET	IDB Lab	LOCAL COUNTERPART AND COFINANCING
	US 1,350.000	

DESCRIPTION

The problem. Latin America contributes significantly to global exports, with an annual volume of approximately \$1.99 trillion. However, the region's local export industry has struggled to capitalize on this growth fully. Over the past three years, exports have increased by 1.67 times, fueled by rising international demand, evolving trade agreements, the nearshoring trend, and shifting

geopolitical dynamics. However, access to trade financing remains scarce: only 45% of all MSMEs have access to credit from financial institutions and more than 50% of trade financing requests by MSMEs are rejected, compared with just 7% for multinational companies. This is despite these companies accounting for nearly 40% of the region's international trade.

Moreover, Latin America ranks third globally in terms of the value of collateral required to obtain credit, indicating the lack of access to financing as a major growth constraint for local small companies (followed only by Sub-Saharan Africa and North Africa). These challenges are only made deeper by the fact that regional trade is dominated by large enterprises, with the largest 1% of exporting firms accounting for more than 70% of total exports. To make matters worse, even when small exporters do manage to secure financing, they often face slow, outdated processes that delay access to much-needed credit facilities. This is especially problematic because exporters' clients typically pay within 30 to 120 days, creating significant cash flow challenges. While financial institutions in the U.S. offer more agile and accessible trade financing solutions, these have been largely out of reach for MSMEs in Latin America, where mostly large companies benefit from such products.

The solution. Marco is a trade-finance platform that provides fast, easy access to liquidity and financial services for small and mid-sized exporters in Latin America. Utilizing digital technology, Marco's automated workflows and data intelligence allow for advanced risk modeling and continuous monitoring. This enables Marco to offer a secure, scalable trade finance-as-a-service solution, specifically designed for MSMEs in the export sector. By leveraging data-driven financing, Marco facilitates seamless access to working capital and offers a range of services to remove bottlenecks and streamline the export process.

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**The IDB categorizes all projects into one of six E/S impact categories. Category A projects are those with the most significant and mostly permanent E/S impacts, category B those that cause mostly local and short-term impacts, and category C those with minimal or no negative impacts. A fourth category, FI-1 (high risk) Financial Intermediary (FI)'s portfolio includes exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, mostly irreversible or unprecedented, FI-2 (medium risk) FI's portfolio consists of business activities that have potential limited adverse environmental or social risks or impacts, FI-3 (low risk) FI's portfolio consists of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.

The beneficiaries. The project is expected to have the following updated development outcomes:

By the end of year 5 of the project, Marco will have expanded its financing operations and consolidated as a Company.

Consequently, a number of MSMEs in Latin America –clients of Marco—will have increased their ability to export, by accessing financing and trade support services provided or facilitated by Marco. The following development outcomes are expected by the end of year 5 of project execution: (i) 65% of the financing disbursed by Marco (in terms of volume) will have gone towards MSMEs; (ii) 1,360 MSMEs will have received financing linked to international trade; (iii) 19,000 MSMEs will have received non-financing products (such as foreign exchange transactions and collection of funds, US counterpart check, brokered insurance services, LLC formation); (iv) 55% of Marco's financing will have been issued to new clients that were previously unbanked; (v) 550 of these will be MSMEs receiving trade financing for the first time; (vi) MSME financed by Marco will find services beneficial, and at least 40% of them will have increased their financing line size on year 5.

By 2027, MarcoFi will build at least 13 partnerships with organizations such as MexicoMujerExportaMX, Mujer Exporta (Chile), Ella Exporta (Peru), Argentinas Al Mundo (Argentina), and MujerExportaSV (El Salvador) play a key role in facilitating women's inclusion in international trade and business development. These programs expect to provide training on exporting, financing, and business tools, helping women entrepreneurs strengthen their businesses and access new markets. Marco aims to support women-led companies early in their journey, eventually becoming their financing partner as they grow.

By the end of Year 5, Marco is expected to reach 150 Women-led MSMEs receiving trade finance, and 15% of Marco's financing was disbursed/issued to Women-led MSMEs. Additionally, 1,940 women-led businesses will receive non-financing products. Finally, by year 5, the Company is expected to be operating and have implemented its solution in 18 countries in LAC, and at least 25% of the finance issued each year will have gone towards companies based in IDB's C&D countries.

The partners. Marco is a young company, established in 2021 with the mission to “improve economic conditions in developing economies by providing reliable financial solutions to SME exporters that are underserved by banks”. Its vision is to “unleash the big power of small businesses by simplifying, accelerating, and reimagining cross-border trade with cutting-edge technology.” Marco's founders and management team leverage expertise from different backgrounds to drive its mission.

The IDB Lab's Contribution. Marco is extending its Series A. As part of this extension, IDB Lab will allocate US\$1.35 million from the Specialized Financial Intermediary Development Fund (SFIDF).

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