

Public Information Summary

Host Country	Mexico
Name(s) of Borrower(s)/Guaranteed Party(ies)	Banco Covalto, S.A. Institución de Banca Múltiple
Project Description	The project will support the extension of credit to underserved small and medium-sized enterprises (SMEs) operating in Mexico.
Proposed DFC Loan/Guaranty	\$10,000,000 loan with a term of 5 years.
All-Source Funding Total	\$57,500,000
Policy Review	
Developmental Objectives	<p>The Project is expected to have a highly developmental impact through the provision of innovative financial goods and services to SMEs in Mexico. The Mexican economy is heavily dependent on the health of SMEs as they comprise 97.2% of all private enterprises, account for over 62% of private-sector employment and contribute to over 30% of GDP. Yet in Mexico, SMEs often lack access to capital as 23% of SMEs are either fully or partially constrained with the current SME financing gap standing at \$163 billion. In addition, the Project anticipates increasing the Financial Intermediary’s percentage of women borrowers from 23% of its borrowers to 35%. Through its strategic digital partnerships, the Financial Intermediary will use its innovative technology platform to collect and analysis data to underwrite unsecured business loans to underserved SMEs.</p>
Environment and Social Assessment	<p>The Project has been reviewed against the DFC’s 2020 Environmental and Social Policies and Procedures manual (“ESPP”) and has been determined to be categorically eligible. Loans for the purposes of SME on-lending are screened as Category C projects for the purpose of environmental and social assessment in accordance with DFC’s ESPP. These downstream investments are expected to result in minimal adverse environmental and social impacts. Therefore, all of those downstream investments have been prescreened as Category C and further review and consent is not required for these investments.</p> <p>To ensure that the Borrower’s investments 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.</p>

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	<p>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 SME on-lending in Mexico, significant adverse impacts concerning community health and safety, biodiversity, land acquisition and resettlement, indigenous people, and cultural heritage are not anticipated; therefore, PS 3, 5, 6, 7, and 8 are not triggered at this time. The Borrower does hire private security and therefore, applicable portions of PS 4, Community Health, Safety, and Security are triggered.</p> <p>The Borrower has a basic Environmental and Social Risk Policy, grievance mechanisms, and human resources policies commensurate with its investment strategy, but will require some strengthening regarding its Environmental and Social risk and Human Resources policies in order to meet the DFC’s 2020 Environmental Policy and Procedures.</p>
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