Early Warning System

IDBI-12381-01

Banco G&T Continental - SME Partnership

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Quick Facts

Countries	Guatemala
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	B
Voting Date	2018-11-20
Borrower	Banco G&T Continental, S.A.
Sectors	Finance
Investment Type(s)	Loan
Investment Amount (USD)	$ 75.00 million
Loan Amount (USD)	$ 75.00 million

Project Description

According to IADB website, the operation consists of a subordinated financing package of up to US$75,000,000, which will be used to strengthen the equity position of Banco G&T Continental in Guatemala. The financing will be channeled to support the Bank's Small and Medium Enterprise (SME) portfolio growth strategy, with an emphasis on women-led businesses. Specifically, by combining financing and technical assistance, the aim is to replicate and scale-up the program "G&T Mujer" that was developed by the Bank's subsidiary in El Salvador, and that was awarded in 2016 by the Global Banking Alliance for Women (GBA). It is expected that this project will increase access to finance for SMEs, particularly those led by women.

People Affected By This Project

1. Description of the Project. The objective of this transaction is to increase access to finance for SMEs by supporting the growth of the loan portfolio of Banco G&T Continental in Guatemala. For this purpose, IDB Invest proposes a financing package of up to US$75 million. With the IDB Invest's proceeds, G&T Continental will expand financing for SMEs. The financing will be supplemented by technical assistance to incorporate a gender perspective in how services are targeted and provided to its SME clients.2. Environmental and Social Classification and Rationale. Most of the supported subprojects have a low risk potential while a smaller number have a medium risk potential. The maximum size of the subloans is US$650,000. As a result, in accordance with IIC's Environmental and Social Sustainability Policy, the operation is classified as FI-2. Based on the nature of this operation, specifically SME financing, it is likely to entail low- and medium-intensity indirect environmental, social or health, and safety and occupational impacts and risks.3. Environmental and Social Risks and Impacts. IDB Group's proceeds will be used to support the Bank's SME portfolio. In the SME portfolio, Banco G&T Continental has a greater exposure to the Trade sector at 40%, followed by the Services sector at 17%, the Real Estate sector at 9%, Manufacturing at 7%, Agriculture at 6%, with the remaining sectors having exposures of less than 5% (Construction, Financial Services, Consumer Finance, etc.).Thus, the key risks and impacts are based on the ability of the Banco G&T Continental to manage potential environmental and social risks associated with loans to these sectors. For example, such risks may include management of solid waste and wastewater, labor risks, and occupational health and safety risks.Banco G&T Continental already has an Environmental and Social Management System (ESMS), which includes, inter alia, a Social and Environmental Risk Management Policy dated November 29, 2016 (version 3). As stipulated in this policy, the Bank applies the IFC Exclusion List and Performance Standards, as well as national environmental and social legislation. The system includes adequate management procedures and diverse plans, it also establishes differentiated levels of analysis according to the rating, amount and the term of the loan. In the case of loans to SMEs, the client applies the list of exclusions of the IFC, assigns the risk category and a requirement to apply national environmental and social legislation. The ESMS is implemented by a qualified and trained team to manage the environmental and social risk of the operation. Banco G&T Continental also has a complaints mechanism with its corresponding internal and external complaint management system, as well as emergency plans for earthquakes and fires, and an Occupational Health and Safety Plan.Grupo Financiero G&T Continental applies a Code of Ethics applicable to all who work within the Group, in all countries where it operates, making available various channels to ensure effective enforcement of the code. As for fair and equitable labor conditions -- free of any discrimination based on age, gender, ethnicity, cultural heritage and religion -- Banco G&T Continental applies the above-mentioned Code of Ethics; since the code is reciprocal, it is binding on all employees as well as management and expressly prohibits any discrimination based on race, color, religion, gender, nationality, age, disability or any other category.Banco G&T Continental is committed to gender equality. In particular, the Bank maintains a continuous training program for the organization's women leaders called the Women Business Network, which has been in force for more than three years. The Bank is also seeking to replicate the group's successful model implemented in Banco G&T Continental (El Salvador) of a credit line for women-led SMEs. IDB Invest plans to support Banco G&T Continental both in leadership training and the line of credit for women.4. Mitigation Measures/Environmental and Social Action Plan. Banco G&T Continental will continue to apply the contractual clause to all subloans, according to which each subloan must comply with current environmental and social legislation. The Bank will also apply IDB Invest's exclusion list. No gaps with the IDB Invest Environmental and Social Policy have been identified and thus no Environmental and Social Action Plan is required. Given that IDB Invest's loan is focused on supporting the SME business, exposure of IDB Invest's proceeds to each client is limited to the level defined by national regulations for SMEs (JM-93-2005) which, at this point, is US$650,000. In addition, for the subloans granted using the IDB Invest proceeds, the exclusion list of IDB Invest will be applied, Category A investments are excluded, as well as investments in the hydroelectric power generation and palm oil sectors.5. Contact Information. For questions on the projects, including environmental and social issues related to an IDB Invest transaction, please contact the client (see Investment Summary file), or IDB Invest by e-maildivulgacionpublica@iadb.org. As a last resort,

Investment Description

- IDB Invest (IDBI)

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- Banco G&T Continental, S.A. (Financial Intermediary)

Private Actors Description

Banco G&T Continental, S.A. operates as a financial institution that provides banking and other financial services. It offers deposit banking, granting credits, certificates of deposit, credit cards, microcredit finance, and savings accounts services.

Contact Information

Client contact: Monica del Cid
Position: Manager of Planning and Financial Control
Banco G&T Continental
Telephone: +(502) 2338-6888, Ext. 15190
E-mail: modelcid@gytcontinental.com.gt

ACCOUNTABILITY MECHANISM OF IADB

The Independent Consultation and Investigation Mechanism (MICI) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an Inter-American Development Bank (IDB) or Inter-American Investment Corporation (IIC)-funded project. If you submit a complaint to MICI, they may assist you in addressing the problems you raised through a dispute-resolution process with those implementing the project and/or through an investigation to assess whether the IDB or IIC is following its own policies for preventing or mitigating harm to people or the environment. You can submit a complaint by sending an email to MICI@iadb.org. You can learn more about the MICI and how to file a complaint at http://www.iadb.org/en/mici/mici,1752.html (in English) or http://www.iadb.org/es/mici/mici,1752.html (Spanish).

Campaign Documents

- Company Overview of Banco G&T Continental, S.A