

 Early Warning System

MIGA-15261

MIGA-IDB Invest Trade Finance Guarantee Facility



Quick Facts

Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Proposed
Bank Risk Rating	C
Borrower	IDB Invest
Sectors	Finance
Investment Type(s)	Guarantee
Investment Amount (USD)	\$ 500.00 million
Project Cost (USD)	\$ 500.00 million



Project Description

According to the Bank's website, this summary covers a proposed framework arrangement with the private sector arm of the Inter-American Development Bank Group, IDB Invest, in order to support trade finance transactions conducted through state-owned banks in joint member countries in Latin America and the Caribbean (LAC). MIGA would provide IDB Invest with up to US\$500 million in trade finance guarantees (TFGs) covering the non-payment risk of eligible state-owned banks (SOBs) for which IDB Invest's Trade Finance Facilitation Program (TFFP) would issue payment guarantees or short terms loans specifically related to trade transactions. The proposed TFG facility would have a tenor of up to 6 years (with an initial 3-year term).

The Project is expected to provide capacity to IDB Invest as it seeks to mobilize trade financing for exporting and importing companies in LAC, supporting their internationalization, and ensuring liquidity in times of volatility and uncertainty. Trade credit and finance are essential to the economic health of developing countries as it contributes to their export competitiveness, employment, and growth. Despite the benefits, according to the Asian Development Bank (ADB)[1], the global trade finance gap is estimated at US\$1.5 trillion of which US\$350 billion is in LAC. Access to trade finance in the region is particularly difficult for Micro, Small and Medium Enterprises (MSMEs) which are a key source of employment. The IDB Invest, through the TFFP, has been helping close the trade finance gap in the region, and since 2020, is working to increase its focus on various thematic areas that contribute to the Sustainable Development Goals (SDGs)[2] such as SMEs, green finance, women-led companies, and food security, to which the MIGA guarantee will contribute to.



Early Warning System Project Analysis

The MIGA-covered facility will support short-term trade transactions in the LAC region. These transactions pose minimal environmental and social (E&S) risks and impacts and as such, the project has been categorized as 'FI-3' in accordance with MIGA's Policy on Environmental and Social Sustainability (2013). The applicable E&S requirements for this project are the MIGA Exclusion List and compliance with applicable E&S host country laws. The SOBs will also be required to comply with the labor requirements specified under MIGA Performance Standard 2: Labor and Working Conditions.



Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

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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.

- [IDB Invest](#) (Financial Intermediary)



Private Actors Description

IDB Invest is a private sector arm of the Inter-American Development Bank Group.



Contact Information

ACCESS TO INFORMATION

You can submit a request for information disclosure at: https://www.miga.org/contact/access_to_information

You can also request general information about MIGA and for information on guarantees by emailing:

migainquiry@worldbank.org

ACCOUNTABILITY MECHANISM OF IFC/MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org>