

 Early Warning System

MIGA-14996

To cover senior unsecured loan. Project ID: 14996



Quick Facts

Countries	Paraguay
Specific Location	not applicable
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Proposed
Bank Risk Rating	FI
Voting Date	2022-06-16
Borrower	Agencia Financiera de Desarrollo
Sectors	Finance
Investment Type(s)	Guarantee, Loan
Investment Amount (USD)	\$ 143.00 million
Project Cost (USD)	\$ 143.00 million



Project Description

PROJECT DESCRIPTION

This summary covers an application by Agencia Financiera de Desarrollo (AFD) to cover senior unsecured loan(s) to be provided to AFD by Citibank N.A. or any of its affiliates and other lenders yet-to-be identified.

MIGA's coverage has been sought in relation to a Non-Honoring of Sovereign Financial Obligations by a State-Owned Enterprise guarantee for a US dollar debt financing structure of up to US\$ 143 million with a tenor of up to 7 years.

AFD is a government-controlled financial institution that operates as Paraguay's only second-floor bank, providing long-term financing to intermediary financial institutions (IFIs), including banks, cooperatives and finance institutions, for on-lending to the Paraguayan economy.

In the face of the COVID-19 economic recovery, AFD played a vital countercyclical role to support critical sectors of the Paraguayan economy. The MIGA guaranteed loan(s) will be used by AFD to fund sixteen product lines aimed at supporting key sectors such as the Micro, Small, and Medium Enterprises (MSMEs), housing, manufacturing, agricultural or construction sectors, thereby contributing to the overall economic growth and development in Paraguay.

ENVIRONMENTAL CATEGORIZATION

AFD provides financing to support retail loans, MSMEs loans as well as corporate lending in Paraguay, through IFIs. For this project, the MIGA guarantee will target lending across sixteen AFD programs covering retail and MSME loans. The E&S risks and impacts associated with retail loans are considered minimal and the risks and impacts associated with MSME loans are typically limited. The project portfolio is thus considered medium risk and the project has been categorized as FI-2 under MIGA's Policy on Environmental and Social (E&S) Sustainability (2013).

The main E&S risks of this project relate to AFD's ability to identify, assess, and manage the E&S risks and impacts associated with its lending activities (through IFIs) and the management of labor matters. MIGA analyzed AFD's portfolio for types of transactions, tenor, size, industry sectors, and exposure to MIGA's Exclusion List. MIGA also analyzed AFD's E&S risk management procedures in line with the requirements of Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts (PS1), and AFD's labor practices in line with the requirements of Performance Standard 2: Labor and Working Conditions (PS2). The applicable E&S requirements for this project will be: (i) MIGA Exclusion List and (ii) applicable E&S laws and regulations in Paraguay.

As of December 2021, loans to individuals (mortgages and education loans) represented 36.5% of AFD's portfolio, with loans to SMEs and corporates representing approximately 38.2%. Other kinds of loans include micro loans (0.5%), bonds (5.4%), and credit lines to IFIs (19.4%). The sectors supported include agriculture, industrial production, construction, commerce, and services. AFD has no exposures to activities on the MIGA Exclusion List.

AFD has an E&S management system (ESMS) and an E&S team responsible for the implementation of the E&S risk management procedures. AFD's ESMS sets out AFD's E&S requirements (including AFD's exclusion list which incorporates MIGA's Exclusion List) for its product lines and a detailed procedure for identifying and assessing the E&S risks and impacts associated with its lending activities through IFIs. The procedure includes a screening process for IFIs, including compliance with local labor laws as assessed by the Superintendency of Banks of the Central Bank of Paraguay, and an assessment of each IFI's ability to assess E&S risks and impacts in line with AFD's E&S requirements. AFD also has a monitoring process to assess the IFIs' compliance with its requirements. IFIs are required to develop and implement E&S management systems suitable to requirements of the AFD products they cover. To meet the requirements of the MIGA project, AFD will be required to incorporate MIGA's E&S requirements - MIGA Exclusion List and applicable host country E&S laws - as applicable to the specific programs under this project. into its E&S process.



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Investment Description

- Multilateral Investment Guarantee Agency (MIGA)



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/>