



### Project Summary Information

Date of Document Preparation: September 14, 2020

<b>Project Name</b>	Ecuador: Corporación Financiera Nacional COVID-19 Credit Line Project
<b>Document Code</b>	PD000435
<b>AIIB member</b>	Republic of Ecuador
<b>Sector/Subsector</b>	FI / Financial Intermediary
<b>Status of Financing</b>	Under Preparation
<b>Project Description</b>	<p>The Project is proposed to be supported under AIIB's COVID-19 Crisis Recovery Facility (the Facility) and will be co-financed with the World Bank (IBRD) (the Lead Co-financier). The Project aims at developing and improving financial products to promote access to finance for productive purposes for MSMEs and strengthening the institutional capacity of the Borrower, Corporación Financiera Nacional B.P. (CFN), in the context of the COVID-19 crisis<sup>1</sup>.</p> <p>The Project may comprise the following 4 components:</p> <ul style="list-style-type: none"> <li>• Component 1 – Strengthening the institutional capacity of CFN</li> <li>• Component 2 – Development and Improvement of Financial Products to Promote Access to Finance for MSMEs</li> <li>• Component 3 – Credit Line Intermediated by CFN to Participating Financial Intermediaries (PFIs) for on-lending to MSMEs</li> <li>• Component 4 – Project Management</li> </ul> <p>AIIB will co-finance Component 2(b) “Capitalization of National Guarantee Fund (NGF) for special COVID-19 program” and Component 3. Under the Project, AIIB will provide through the Borrower, short-term liquidity financing for MSMEs in the form of partial credit guarantees and/or credit lines to mitigate the impacts of the economic crisis induced by the COVID-19 pandemic.</p>

<sup>1</sup> WB/IBRD. 2020. Promoting Access to Finance for Productive Purposes for MSMEs (P172899). [Link](#).

<b>Objective</b>	To promote access to finance and address the liquidity constraints faced by private micro, small and medium enterprises (MSMEs) in response to the COVID-19 crisis in Ecuador.
<b>Expected Results</b>	The Project results will include 1) the number of MSMEs benefitting from the sub-loans and partial guarantees; 2) the share of MSMEs receiving sub-loans to be owned and/or led by women; 3) the number of PFIs participating in the Project; and 4) the nonperforming loans (NPL) ratio in the portfolio. As an indication, the IBRD loan is expected to provide around 3,500 sub-loans to approximately 2,600 MSMEs and 4,500 partial credit guarantees to an estimate of 3,800 MSMEs. It is also expected that 50 percent of MSMEs receiving sub-loans will be owned and/or led by women. Up to 15 PFIs are expected to be participating in the Project.
<b>Environmental and Social Category</b>	WB Category Moderate Risk (equivalent to Category FI if AIIB's Environmental and Social Policy (ESP) were applicable).
<b>Environmental and Social Information</b>	<p>The loan will be co-financed with the WB as Lead Co-financier, and the Project's environmental and social (ES) risks and impacts have been assessed in accordance with the WB's Environmental and Social Framework (ESF).</p> <p>Under WB's ESF, the Project's ES risks have been categorized as <i>Moderate</i> (equivalent to Category FI if AIIB's ESP were applicable). To ensure a harmonized approach to addressing the ES risks and impacts of the Project, and as permitted under AIIB's ESP, the WB ESF will apply to the Project in lieu of AIIB's ESP. AIIB has reviewed the WB ESF and is satisfied that: (a) it is consistent with AIIB's Articles of Agreement and materially consistent with the provisions of AIIB's ESP and the relevant ES Standards; and (b) the monitoring procedures that are in place are appropriate for the Project.</p> <p>The Project will involve the extension of a loan to CFN for onward financing (through loans or guarantees) to PFIs for sub-loans to eligible MSME beneficiaries. AIIB's funds will be allocated by CFN to selected PFIs, which in turn will be required to extend sub-loans to ultimate beneficiaries in accordance with eligibility criteria and other conditions set out in a Project Operations Manual and in accordance with CFN's Environmental and Social Management System (ESMS), which will be updated as needed to be consistent with the WB's ESF.</p> <p>The tenor of sub-loans extended by the PFIs will be short and the use of funds will not be tied to long-term physical assets or specific operations. CFN has created a list of sectors that would exclude from financing under this facility enterprises engaged in those sectors. The list is complemented by eligibility criteria that would exclude financing of higher ES risk activities, such as land acquisition, new primary production activities that would require the expansion of the beneficiary's</p>

current physical footprint and other activities that may induce adverse impacts on community health and safety, critical habitat and natural resources, Indigenous Peoples, vulnerable people and cultural resources. Consequently, the ES risks and impacts of the beneficiary's activities and ES risk exposure of the lenders are deemed to be manageable using good practice in an operational setting.

Such screening of sub-loans against the sector exclusion list and eligibility criteria, followed by ES risk categorization and assessment of compliance by the beneficiary with the applicable regulatory requirements and the WB's Environmental and Social Standards (ESSs)<sup>2</sup> will be applied by PFIs to sub-loans through CFN's ESMS, which currently applies to CFN's direct lending and will be extended to cover PFIs' on-lending. As determined in the Project Operational Manual and implemented through the ESMS, only low and/or moderate risk sub-projects will be financed.

While CFN has some ES resources and experience in incorporating ES requirements of multilateral and bilateral development finance institutions in its operations, it will be required to enhance its ESMS, establish a Project Coordination Team (PCT) with relevant ES competencies to be trained on the WB's ESF and build capacity on application by PFIs of the ESMS. The PCT will be responsible for monitoring the performance of the PFIs and reporting to the WB and AIIB.

An Environmental and Social Commitment Plan (ESCP), Stakeholders Engagement Plan (SEP) and a Labor Management Plan have been prepared and disclosed on the websites of the Borrower and the WB.<sup>3</sup> Links to these documents are also available on AIIB's website. AIIB will conduct post-review of selected sub-loans in the scope of its regular supervision of the Project.

<sup>2</sup> Six of ten WB Environmental and Social Standards (ESS) are relevant for this Project: ESS1, Assessment and Management of Environmental and Social Risks and Impacts; ESS2, Labor and Working Conditions; ESS3, Resource Efficiency and Pollution Prevention and Management; ESS4, Community Health and Safety; ESS9, Financial Intermediaries; and ESS10, Stakeholder Engagement and Information Disclosure

<sup>3</sup> WB/IBRD. 2020. Promoting Access to Finance for Productive Purposes for MSMEs (P172899). [Link](#).  
CFN, 2020. Proyecto de Acceso a Financiamiento Productivo para MIPYMEs Banco Mundial. [Link](#)

<b>Cost and Financing Plan</b>	Estimated Project Total Cost: USD 310 million.			
	Indicative financing plan:			
	<b>Component / Source of Finance</b>	<b>Total Cost</b>	<b>AIB</b>	<b>WB/ IBRD</b>
	1. Strengthening the Institutional Capacity of CFN	3	-	3
	2. Development and Improvement of Financial Products to Promote Access to Finance for MSMEs	[67]	[25]	42
	<i>2.a. Technical assistance</i>	2	-	2
	<i>2.b. Capitalization of National Guarantees Fund (NGF) for special COVID-19 program</i>	[45]	[25]	20
	<i>2.c. Capitalization of NGF for standard programs</i>	20	-	20
	3. Credit Line Intermediated by CFN to PFIs for on-lending to MSMEs	238	[25]	213
	4. Project Management	2	-	2
<b>Total project costs</b>	<b>310</b>	<b>50</b>	<b>260</b>	
<b>Borrower</b>	Corporación Financiera Nacional (CFN)			
<b>Implementing Entity</b>	Corporación Financiera Nacional (CFN)			
<b>Estimated date of loan closing</b>	Q2 2022			

<b>Contact Points:</b>	<b>AiIB</b>	<b>AiIB</b>	<b>WB/IBRD</b>	<b>Borrower</b>
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<b>Date of Concept Decision</b>	Q3 2020			
<b>Estimated Date of Appraisal Decision</b>	Q3 2020			
<b>Estimated Date of Financing Approval</b>	Q4 2020			

<b>Independent Accountability Mechanism</b>	<p>As noted above, the WB's ESF will apply to this Project instead of AiIB's ESP. Pursuant to AiIB's agreement with WB, AiIB will rely on WB's corporate Grievance Redress Service (GRS) and its Independent Accountability Mechanism, the Inspection Panel, to handle complaints relating to ES issues that may arise under the Project. Consequently, in accordance with AiIB's Policy on the Project affected People's Mechanism (PPM), submissions to the PPM under this Project will not be eligible for consideration by the PPM.</p> <p>Information on WB's corporate GRS is available at <a href="http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service">http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service</a>. Information on WB's Inspection Panel is available at <a href="http://www.inspectionpanel.org">http://www.inspectionpanel.org</a>.</p>
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