

FINDEV CANADA TRANSACTION SUMMARY

Cooprogreso

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

Cooprogreso was founded in 1969, aiming to serve its community in the parish of Atahualpa (Pichincha province in Ecuador) and to foster its development with financial products and services. After 50 years of growth, Cooprogreso has become a leading financial cooperative in Ecuador providing access to financial services to low income customers. FinDev Canada's loan will facilitate Cooprogreso's operational growth, serving its members through microcredit, personal and commercial loans.

Transaction Details

COUNTERPARTY	Cooperativa de Ahorro y Credito Cooprogreso Ltda
DOMICILE OF INCORPORATION	Ecuador
DOMICILE OF OPERATIONS	Ecuador
TERM OF FINANCING	3 years/18-month grace period
SECTOR	Financial Services
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category C
FINANCIAL PRODUCT	Unsecured Senior Debt
TOTAL PROJECT SIZE	USD 7.5 million
FINDEV CANADA PARTICIPATION AMOUNT	USD 7.5 million
DATE OF TRANSACTION DISCLOSURE	24/10/2019
DATE OF TRANSACTION SIGNING	10/12/2019
DATE OF TRANSACTION SUMMARY PUBLICATION	29/05/2020
2X CHALLENGE QUALIFYING	Yes, leadership and direct employment

Summary of Anticipated Development Impacts

Cooprogreso's practice and management are based on the principles of responsibility, democracy, equality, equity and solidarity. Cooprogreso's strong impact on financial markets and positive financial track record ensure access to finance while being committed to sustainable financial sector best practices.

The loan will help bolster Cooprogreso's existing initiatives, while also providing access to financial services to Ecuadorian women and men, primarily to low-income customers. Cooprogreso especially contributes to local market growth, and women's economic empowerment — focus areas for FinDev Canada.



MARKET DEVELOPMENT:

- **Enabling Micro, small and medium enterprises growth (MSME):** FinDev Canada's loan will contribute towards supporting Cooprogreso's financial services for low-income customers, especially programs that target segments of the population with limited or no access to finance. Their financial offering includes loans to small businesses and microentrepreneurs to support SME growth.
- **Supporting quality employment:** The new capital injection is expected to sustain and create nearly 430 direct local jobs, as the growth in Cooprogreso's loan portfolio will require additional employees to reinforce its operational capabilities. Cooprogreso's jobs are considered high-quality in the region, offering benefits to permanent and temporary employees such as onsite healthcare and medical services for workers and their families, and training and advancement opportunities, which go beyond what is required by national law.



WOMEN'S ECONOMIC EMPOWERMENT:

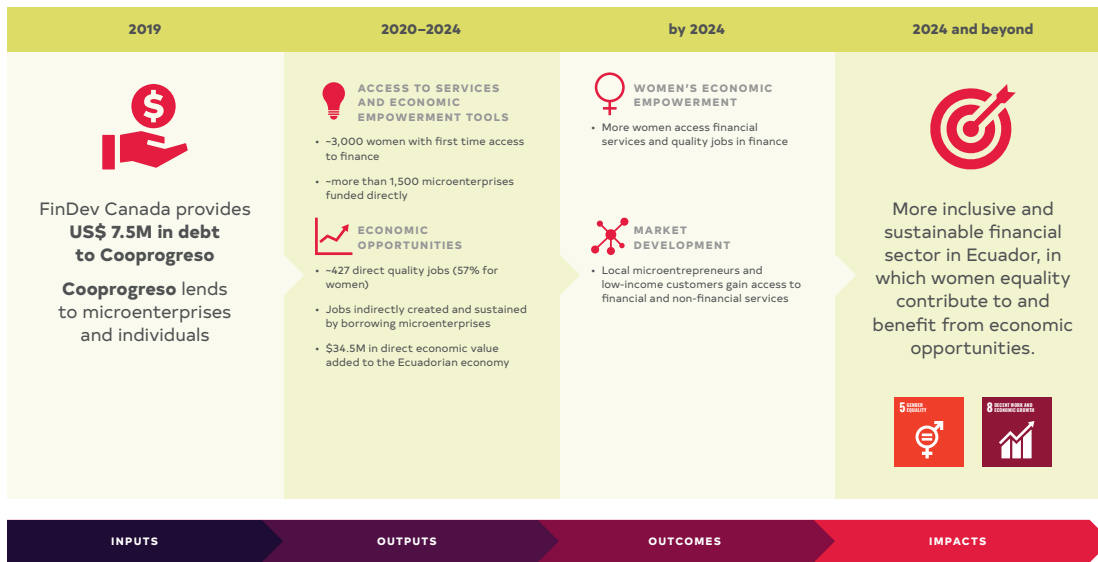
- **Empowering women in governance, leadership and employment:** Cooprogreso is implementing relevant gender equality policies and/or programs with its employees and clients, indicating a strong baseline understanding of gender equality and diversity issues.

Women are well represented at management level, where they account for 67% of management positions and 63% of the senior management team which compares positively to the country average of 35% for senior and middle management according to the World Bank¹. Cooprogreso's Board members are 44% women, which is higher than the 2X Challenge threshold of 30%. Women also account for over half (57%) of the direct employees at Cooprogreso (2X Challenge threshold is 40% in financial services).

- **Supporting women-owned or -led SMEs:** Cooprogreso provides financial services to low-income women and men, including loans to women microentrepreneurs, which helps boost the local market development. A growing market can give women access to new business opportunities, create jobs for women and spur the development of gender-smart products and services. Cooprogreso's initiatives are expected to provide 3,000 women with first-time access to financial services.

For example, Cooprogreso's pilot initiative "Circle of Progress" specifically aims to increase access to finance and empowerment tools for women microentrepreneurs through financial services, as well as financial and vocational training for low-income and unbanked women.

FinDev Canada Theory of Change



Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

Given the nature of the transaction, the environmental and social risks are assessed as low, including in relations to human rights. Cooprogreso's lending model means that social risk linked to their operations would primarily be around the protection of their clients. Some examples of this include the potential for over-indebtedness of Cooprogreso's clients, client data protection, and ensuring that clients have a mechanism for complaint resolution.

To address client protection risk, Cooprogreso has already been certified by the Smart Campaign's Client Protection Principles², a recognized, independent, third party evaluation that certifies that a financial institution meets adequate standards of client care, including prevention of over-indebtedness, transparency, responsible pricing, client privacy and complaint resolution.

FinDev Canada will continue to monitor their adherence to the Client Protection Principles, including any evolution of the standards contained therein, by ensuring ongoing retention of their certification under the renewal process articulated by the Smart Campaign.

¹ <https://data.worldbank.org/indicator/SL.EMP.SMGT.FE.ZS?end=2018&locations=EC&start=2003&view=chart>

² The Smart Campaign has been endorsed by investors/lenders such as the World Bank, EBRD, United Nations Capital Development Fund, CDC Group, and FMO