

# FINDEV CANADA TRANSACTION SUMMARY

## JMMB Bank (Jamaica) Limited's ("JMMB")

*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

This bilateral transaction is to support JMMB Bank (Jamaica) Limited's ("JMMB") small and medium sized enterprises' ("SMEs") lending activities growth in Jamaica. The Financing is to be structured in parallel to the US\$ 35M loan provided by IDB Invest in January 2021 (the "IDB Loan"). JMMB will commit to apply 30% of the proceeds to women-owned SMEs ("WSMEs").

### Transaction Details

<b>COUNTERPARTY</b>	JMMB Bank (Jamaica) Limited's ("JMMB", the "Bank", or the "Borrower")
<b>DOMICILE OF INCORPORATION</b>	Jamaica
<b>DOMICILE OF OPERATIONS</b>	Jamaica
<b>TERM OF FINANCING</b>	5 years
<b>SECTOR</b>	Financial Services
<b>IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY</b>	Category FI-2
<b>FINANCING PRODUCT</b>	Debt
<b>FINDEV CANADA TRANSACTION AMOUNT</b>	USD 20 million
<b>DATE OF TRANSACTION DISCLOSURE</b>	March 2nd, 2021
<b>DATE OF TRANSACTION SIGNING</b>	December 30, 2021
<b>DATE OF TRANSACTION SUMMARY PUBLICATION</b>	March 30, 2022
<b>2X CHALLENGE QUALIFYING</b>	TBD

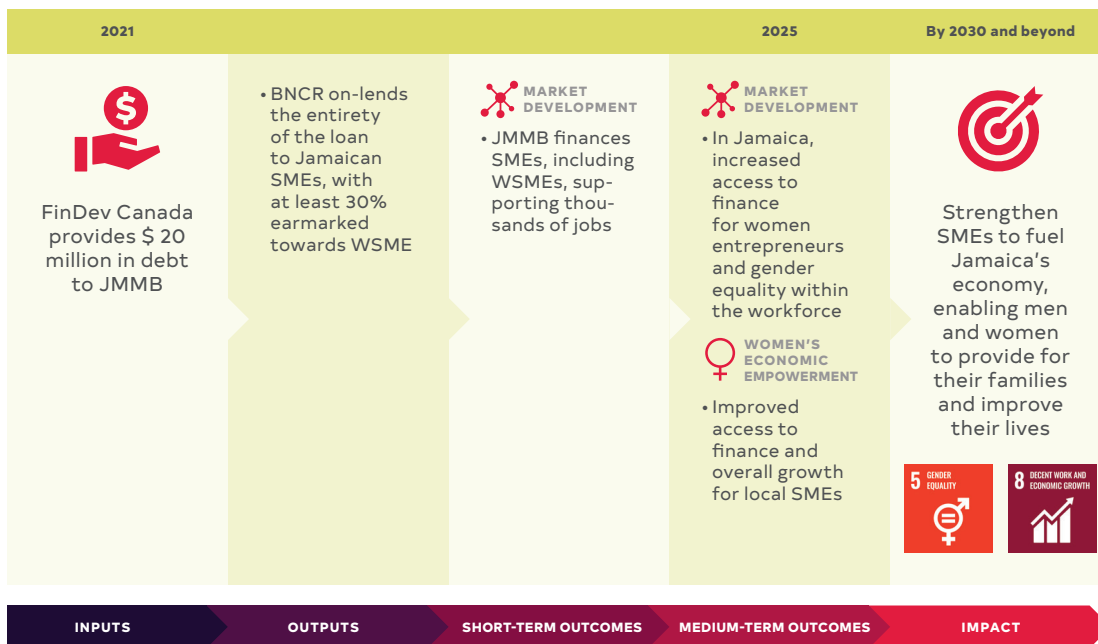
## Summary of Anticipated Development Impacts

Micro, small and medium enterprises (“MSMEs”) are the backbone of Jamaica’s economy. They account for 80% of the country’s employment<sup>1</sup>, which represented over one million jobs in 2020<sup>2</sup>. Despite their economic significance in the country, the financing gap for SMEs in Jamaica is estimated to be over US\$ 2.6 billion<sup>3</sup>, or close to 20% of the country’s GDP<sup>4</sup>. It is estimated that only 27% of businesses in the country have a loan from a financial institution or a line of credit, well below LAC’s average of 48%<sup>6</sup>.

The key development impact contribution of this transaction is to provide access to financial services to Jamaican SMEs to foster economic development and support local jobs. The impact theory of change summarizes how JMMB will contribute to FinDev Canada’s long-term development impact goals and the UN Sustainable Development Goals (SDGs), particularly SDG 8 “Decent Work and Economic Growth” and SDG 5 “Gender Equality”.

### Barriers:

- SME financing gap in Jamaica is US\$ 2.6 billion
- Low rates of access to finance; only 27% of SMEs have obtained bank loans or a line of credit
- 20% of SMEs in Jamaica are women-owned or operated
- Difficulty for SMEs in Jamaica to access funding due to lack of adapted financial instruments targeting this segment





## MARKET DEVELOPMENT

- **Strengthen local SMEs and value chains:** JMMB is focused on offering financial products and services to better support SMEs in Jamaica. Supporting jobs and income-generating activities through the funding of local SMEs is particularly valuable considering that Jamaica recorded a 5% decrease in employment since the beginning of the COVID-19 pandemic<sup>1</sup>. According to the World Bank, one of the main barriers for SMEs to access funding in the Latin America and Caribbean region (LAC) is the lack of bank strategies, processes and financial instruments tailored to their specific needs<sup>2</sup>. After a thorough market study of the SME landscape in 2018, JMMB optimized its operating model to meet the needs of this segment.
- **Solutions to increase financial inclusion:** JMMB supports informal SMEs (the informal sector represents an estimated 43% of Jamaica's GDP<sup>3</sup>) formalize their business by connecting them with strategic partners, which improves their chances of being eligible for a loan. Many of JMMB's SME clients receive loans from a financial institution for the first time.
- **COVID-19 relief:** As many businesses experienced a notable change in income since the beginning of the pandemic<sup>4</sup>, JMMB started offering relief packages, such as moratoriums on principal and interest to alleviate the financial burden brought on by COVID-19. In an effort to reduce the need for in-person banking and following the digital shift in the eco-system, JMMB is exploring ways to partner with fintech companies to facilitate online money transfers.



## WOMEN'S ECONOMIC EMPOWERMENT

- **Support women's leadership:** The Bank maintains a notable representation of women with 44% on the Board of Directors and 57% in the Leadership team. The Bank offers leadership training programs for women employees and created the *WIN* program ("Women Inspiration Network") to encourage exchanges between women of different levels within the company.
- **Offering decent employment for women:** As a signatory of the UN Women Empowerment Principles ("WEPs"), and with 67% of employees being women, JMMB is dedicated to empowering women in the workplace and providing equal opportunities to all employees. The Bank publishes gender-neutral job postings and strives for equal pay for men and women.
- **Supporting women entrepreneurs:** JMMB committed to channel at least 30% of FinDev Canada's loan to WSMEs. The Bank has a program entitled *Her Wealth* that offers tailored financial and non-financial services for women, such as capital support, education loans, home loans, and retirement plans as well as training and financial education resources.



## CLIMATE MITIGATION AND ADAPTATION

- **Sustainable practices within operations:** Given the sector of operation, JMMB has a low carbon footprint. Nonetheless, JMMB has an *Environmental Strategy* in place for its facilities and offers training for employees on sustainability practices.

<sup>1</sup>Trading Economics, Jamaica Employment Rate, 2020.

<sup>2</sup>World Bank, Jamaica SME Finance Technical Note, 2015.

<sup>3</sup>World Bank, Jamaica SME Finance Technical Note, 2015.

<sup>4</sup>LAC Economic System, Resilience for SMEs in Times of Pandemic, 2020.

## Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

FinDev Canada considers the transaction to be Category FI-2 (equivalent to Category B and specific to financial intermediation organizations), as JMMB's existing and proposed portfolio will include exposure to small and medium-sized enterprises (SMEs) with business activities that predominantly have minimal or no adverse environmental or social (E&S) impacts.

Due diligence was undertaken over a span of five weeks using the IFC Performance Standards (IFC PS) 1 and 2 as E&S benchmark for this transaction. Due diligence activities included the review of relevant E&S documentation including policies, procedures and overall capacity to manage the E&S risks of JMMB's operations and loan portfolio. The review also included documents prepared by IDB Invest, co-lender for this transaction, which included an environmental and social action plan (ESAP) agreed to between IDB Invest and JMMB.

JMMB's key sectors for lending have a variety of low to high E&S risks. Given the typical size of loans (e.g. personal and SMEs) and asset class of their customers (e.g. individuals, families, and SMEs) the likelihood for significant E&S impacts is lower.

FinDev Canada is of the opinion that there are gaps between the requirements of IFC PS 1 and 2 and JMMB's current management processes, which are addressed in a fit-for-purpose ESAP. With the completion of the ESAP, the organization will meet international standards for F1-2 categorized financial institutions. FinDev Canada will continue a dialogue with JMMB in order to support the completion of the ESAP; monitor the implementation of ESAP items; and support the customer in the maturity of their E&S management capacity throughout the tenor of the debt facility. This dialogue will have heightened importance during the interim period between financial close of the debt facility and the satisfactory completion of the ESAP. This review has been completed in accordance with FinDev Canada's E&S Policy, in collaboration with a third-party consulting firm.

An illustrative list of key documents reviewed is outlined below:

1. JMMB Bank Partnership IDB Invest: ESG Summary
2. IDB Invest - E&S Sections in Loan Agreement - Executed.pdf
3. IDB Invest - Exclusion List
4. IDB Invest - Executed E&S Confirmation Letter.pdf
5. JMMB Bank - SME Credit Risk Framework
6. JMMB Group - CSR Policy brief updated 18 April 2019
7. JMMB Group - SME Strategy
8. JMMB Group Code of Ethics

The following International Finance Corporation (IFC) Performance Standards were applied in FinDev Canada's assessment in addition to host country requirements and the IFC Interpretation Note on Financial Intermediaries:

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- IFC Performance Standard 2: Labor and Working Conditions