

FINDEV CANADA TRANSACTION SUMMARY

Cooperativa de Ahorro y Crédito Cooprogreso Limitada

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, founded in 1969 in the rural community of Atahualpa (Pichincha province), is the fifth largest financial cooperative in Ecuador by assets and loan portfolio. The cooperative serves 280,000 members across 10 of 24 provinces in the country.

This is the third transaction that FinDev Canada is underwriting as part of the recently launched 2X Canada: Inclusive Economic Recovery, a facility administered by FinDev Canada and funded by the Government of Canada through Global Affairs Canada. The participation of the 2X Canada Facility, in addition to FinDev Canada's capital, will support Cooprogreso in reaching more women microentrepreneurs, including in rural and agricultural areas. This is also FinDev Canada's second transaction with Cooprogreso.

Transaction Details

COUNTERPARTY	Cooperativa de Ahorro y Crédito Cooprogreso Limitada ("Cooprogreso")
DOMICILE	Ecuador
COUNTRY(IES) OF OPERATION	Ecuador
TERM OF FINANCING	5 years
SECTOR	Financial Services
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category FI-3
FINANCING PRODUCT	Senior Unsecured Loan
2X CANADA TRANSACTION AMOUNT	USD 6.5 million
FINDEV CANADA TRANSACTION AMOUNT	USD 10 million
DATE OF TRANSACTION DISCLOSURE	02 November 2022
DATE OF TRANSACTION SIGNING	12 December 2022
DATE OF TRANSACTION SUMMARY PUBLICATION	17 February 2023
2X CHALLENGE QUALIFYING	Yes, under the Leadership, Employment, and Investments through Financial Intermediaries criteria

2X CANADA

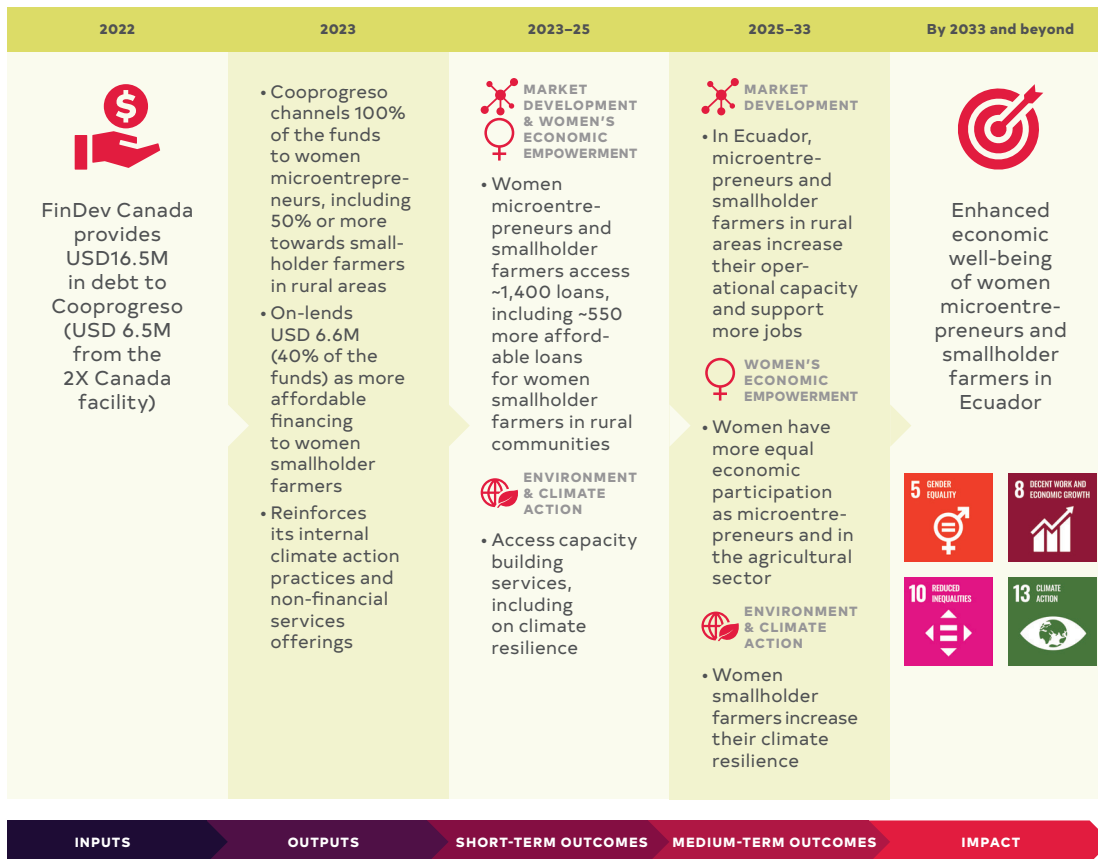


Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to enhance the economic well-being of women microentrepreneurs and smallholder farmers and promote a gender-responsive, post-COVID recovery. To this end, Cooprogreso will channel 100% of the proceeds to women microentrepreneurs, including at least 50% to women smallholder farmers. This transaction will also contribute to FinDev Canada's development impact goals and the Sustainable Development Goals (SDGs), particularly SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), SDG 11 (Reduced Inequalities), and SDG 13 (Climate Action).

Development Context:

- 90% of Ecuador's businesses are microenterprises¹
- 36% of Ecuadorians live in rural areas, where agriculture is the predominant economic activity³
- 94% of farmers who export use their own funds, 3% use financing from banks, and 1% from cooperatives⁴



2XCANADA





MARKET DEVELOPMENT

- **Financing microentrepreneurs in Ecuador:** Microentrepreneurs are an important economic pillar in the country, representing 91% of Ecuador's businesses¹ and 25% of jobs in the private sector.² Nevertheless, access to financing remains a constraint for them. To address this challenge, Cooprogreso will on-lend 100% of FinDev Canada's transaction funds towards Ecuadorian microentrepreneurs, unlocking capital for private businesses and contributing to economic reactivation of Ecuador following the COVID-19 pandemic.
- **Supporting rural and agricultural communities:** In a country where 36% of the population live in rural areas³ and agriculture accounts for 13% of GDP and generates 37% of jobs,⁴ ensuring access to financing for rural and agricultural communities in Ecuador is essential for inclusive economic development. Nevertheless, access to financing is a barrier in the agricultural sector: 94% of farmers who export use their own funds, 3% use financing from banks, and 1% from cooperatives.⁴ With a track record in bringing financing to rural and agricultural areas, Cooprogreso will direct 50% or more of FinDev Canada's proceeds to these customer groups. Moreover, funds from the 2X Canada Facility will enable Cooprogreso to continue widening its reach in the agriculture sector and by expanding to the rural communities of Ambato and Latacunga.



WOMEN'S ECONOMIC EMPOWERMENT

- **Empowering women microentrepreneurs and smallholder farmers:** In Ecuador, only 14.5% of women access credit from a formal financial institution, compared to 32.2% of men.⁵ In the agricultural sector, women's access to credit is even more challenging. To this end, Cooprogreso will channel 100% of FinDev Canada's funds towards women microentrepreneurs, and at least 50% of the funds will go towards women smallholder farmers. It is anticipated that up to 1,400 women will be able to access financing through this transaction, in turn promoting their economic participation as microentrepreneurs and in agriculture, while contributing to Ecuador's economy.
- **Promoting gender equality in the workplace and communities:** At Cooprogreso, women represent 55% of its Board of Directors and employees (exceeding **2X criteria** thresholds). Cooprogreso provides quality employment and has gender-inclusive recruitment and career advancement policies and measures in place, including professional development programs for all employees. The cooperative also promotes gender equality at the community level and has been recognized by the UN Women for its *Círculo de Progreso* program supporting women microentrepreneurs. This transaction hence qualifies for the 2X Challenge under the criteria of leadership, employment, and investments through financial intermediaries.



CLIMATE ACTION

- **Advancing internal climate action practices:** Driven by Ecuador's Zero Carbon Program, Cooprogreso is actively working towards adopting best practices on climate change mitigation for financial institutions. This entails assessing, managing, reducing, and disclosing its greenhouse gas emissions annually.

¹ IFC. [MSME Finance Gap](#). 2019.

² National institute of statistics and census. [Business directory 2019](#). 2020.

³ The World Bank Group. [Data Bank](#). 2020.

⁴ IFC. [Country Private Sector Diagnostic](#). 2021.

⁵ The World Bank Group. [Global Findex](#). 2021.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

FinDev Canada considers the transaction to be Category FI-3 (equivalent to Category C and specific to financial intermediaries), as the proposed portfolio to be supported with FinDev Canada proceeds includes financial exposure to business activities that predominantly have minimal, or no adverse environmental or social impacts.

Cooprogreso is currently developing an Environmental and Social (“E&S”) Management System in alignment with national regulation, which will serve as the key E&S risk mitigant. FinDev Canada has outlined recommendations for Cooprogreso to enhance their E&S management system and internal capacity, as part of an Environmental and Social Action Plan (“ESAP”).

FinDev Canada considers that Cooprogreso can mitigate the existing E&S risks in its portfolio by its adherence to loan covenants and successful completion of the ESAP. With the completion of the proposed action items, Cooprogreso will align with the objectives of the IFC Performance Standards over a reasonable period of time. FinDev Canada does not anticipate Cooprogreso having difficulty in maintaining regulatory compliance in the market in which it operates.

This review was completed in accordance with FinDev Canada's Environmental and Social Policy. An illustrative list of key documents reviewed is outlined below:

- Code of Ethics, Human Resources Manual and Complaints, Grievances and Suggestions Management Manual
- Sustainability Report (2021) and Smart Campaign Certification Audit Report
- Draft Environmental and Social Risk Management Policy
- Interviews and presentation on ESMS and sustainability.

The following 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.