



Supporting an Ecuadorian bank to enhance sustainable growth for SME clients

Produbanco 
Grupo Promerica

Latin America and
the Caribbean



Green loans and advisory services are supporting Ecuadorian small and medium-sized enterprises to advance sustainable growth, even in challenging economic conditions. With rising demand for sustainable products, Ecuador's fourth largest bank, Produbanco, exemplifies how integrating climate impact and capacity-building in financial services can strengthen local economies.

THE CHALLENGE

Ecuador's economic growth recently experienced a slowdown due to declining investments and consumption resulting from energy shortages, political uncertainty and insecurity. Small and medium-sized enterprises (SMEs) are a central economic driver in Ecuador and stimulate not only local employment, but also investment in local supply chains and communities. Yet, according to the IFC, the financing gap they face is estimated at around US\$15.6 billion, or 15% of the country's GDP. Additionally, gender inequality continues to be a barrier to inclusive economic growth, with women-owned and led SMEs facing significant challenges to access capital. Expanding access to capital for SMEs is thus central to supporting economic growth in Ecuador.

Furthermore, Ecuador is vulnerable to the impacts of climate change and extreme events. According to the University of Notre Dame's Global Adaptation Initiative index, Ecuador ranks high on vulnerability to climate change and low on readiness to improve resilience (63rd most vulnerable country and 129th most ready). Supporting access to finance for sustainable development projects is necessary to address the challenges associated with climate change.

US\$15.6 billion

The financing gap for Ecuadorian SMEs, is estimated to be around US\$15.6 billion



THE OPPORTUNITY

Founded in 1978, Produbanco is one of the largest private banks in Ecuador. It is part of Grupo Promerica which has presence in 9 countries in Central and South America. Produbanco's purpose is to generate value with a sustainable approach to transcend people's lives; through its business segments: corporate, business, patrimonial, institutional, SME and people. Sustainability is one of the bank's strategic objectives and the bank has demonstrated strong commitment to sustainable financing with dedicated products, teams, and processes. During its 46 years of successful existence, Produbanco has received numerous local and international awards that endorse its prestige. Among the most outstanding are:

- First place in the PXI Ecuador 2024 ranking of the Praxis Xperience Index;
- Best Financial Institution for SMEs led by Women (2023) awarded by the SME Finance Forum;
- Best Bank Ecuador (2017 to 2024), Sustainable Finance Awards in the Country and Territory Awards category for Latin America for Ecuador (2024) awarded by Global Finance;
- Bank of the Year Ecuador for the fourteenth time between 2002 and 2022;
- Best Innovation in Retail Banking Ecuador (2017 to 2023) awarded by The Banker magazine, among others..

In 2021, as part of its COVID-19 response investment strategy FinDev Canada partnered with Produbanco, providing a 5-year US \$10 million loan to facilitate financing for local SMEs, including green loans for projects that incorporate the use of renewable energy technologies or projects that reduce energy consumption by at least 20%. By supporting local SMEs and low-carbon projects through the bank's Green Line Programme¹, this transaction is aligned with FinDev Canada's market development and climate and nature action development impact goals.

US\$10 million

FinDev Canada partnered with Produbanco to provide a 5-year US\$10 million loan to facilitate financing for local SMEs



From left to right: Juan Esteban Jijón, Vice President SME Segment Produbanco; Matilde Mordt, UNDP Resident Representative; Rubén Eguiguren, Chief Executive Officer, Produbanco; Cristina Burgos, UNDP Inclusive Economic Development Officer.

¹The Green Line Programme, or Líneas Verdes, has been designed by Produbanco to promote sustainable development through financing for projects that have a positive environmental impact. For more information, check out: <https://www.produbanco.com.ec/pymes/lineas-verdes/>

IMPACT SO FAR

CONTINUED SUPPORT FOR SMEs, THE BACKBONE OF ECUADOR'S ECONOMY

Produbanco is continuing to support the SME segment despite a challenging economic environment. In 2023, its SME portfolio reached US\$ 538 million, encompassing 4,304 operations. Notably, 36% of these operations were conducted in cities other than Quito and Guayaquil, demonstrating the institution's commitment to supporting local economies across Ecuador. The bank also opened 7,294 new accounts for small and medium-sized enterprises nationwide in 2023.

**US\$538
million**

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Produbanco SME
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7,294

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GROWING DEMAND FOR THE BANK'S SUSTAINABLE OFFERINGS

In parallel, Produbanco's green loans have expanded in the years following the partnership with FinDev Canada. The bank has now transitioned its Green Line Programme into a Sustainable Portfolio, which includes seven categories aligned with the UN Sustainable Development Goals (SDGs), including energy efficiency, renewable energy, sustainable agriculture and construction, water and waste management, as well as social projects. The outstanding volume of this portfolio and the number of disbursed loans has been consistently increasing since 2016, when the Green Line Programme was launched. From 2016 to 2023, Produbanco disbursed US\$ 689 million across 698 projects within these categories.

This continued growth of the sustainable portfolio indicates that clients see value in sustainable finance products, suggesting they view sustainability issues and initiatives as integral to their business performance.

This is also the bank's view. ***"Sustainability is not just an option; it is a fundamental necessity for long-term success and resilience"***, said Sergio Dávalos, Product and Sustainability Coordinator: ***"At Produbanco, we strive to be a meaningful part of our clients' lives and operations, building lasting and impactful relationships while supporting them on their journey toward a more sustainable future. Our commitment goes beyond transactions; we aim to be an integral part of our clients' journey at every step of the way."***

**US\$689
million**
disbursed across
**698 projects within
its Sustainable
Portfolio**



DELIVERING VALUE THROUGH NON-FINANCIAL SERVICES

Customer engagement revealed that many clients from Produbanco's Sustainable Portfolio are interested in expanding their sustainable business practices yet need support to strengthen business foundations before such growth.

Against this context, FinDev Canada worked with Produbanco to develop a Technical Assistance (TA) project, to pilot a business development services (BDS) program with selected SME clients in its Sustainable Portfolio. FinDev Canada provides TA and advisory, alongside its financial offerings, to support investees to improve their development impact outcomes and related business functions. To that end, this TA project was designed to demonstrate the business case for providing non-financial services to SMEs clients. The project also included training to equip the bank to scale such services.

With the United Nations Development Programme (UNDP) as the implementing partner, Produbanco rolled out UNDP's flagship BDS program, Grow Your Business, with 10 SME clients over a span of 8 months. The program's 6-stage methodology provided tailored analyses and recommendations to each SME across key business areas such as, product development, finance, operations, human resources, technology, and the environment.

As the pilot wrapped up, a survey administered by the UNDP reported a 13% overall business performance improvement among participating SMEs, with notable improvements in the areas of administration, human resources, and finance and management. Through the various activities, the TA project reached 200 employees across participating SMEs, of which 48% were women. The capacity-building component of the project trained 20 Produbanco SME credit agents and relationship managers across 8 provinces.

Produbanco noted several important insights and learnings from this project, related to the cross-cutting challenges faced by SMEs in unlocking growth. This includes SMEs' limited capabilities and resources for long-term commercial planning and strategic product development, and inefficient organizational structures, particularly in the case of family businesses. These insights have since been adopted by the bank to better serve its clients.

According to the bank's representative, *"This project allowed us to become an integral part of our clients' day to day operations, gaining a deeper understanding of their challenges beyond financial needs. It also strengthened the capacities of our relationship managers and credit officers, enabling us to provide more holistic support. This is particularly meaningful for SMEs, as they are the backbone of the Ecuadorian economy, driving growth, employment and innovation".*

US\$123,000

TA project to help the bank strengthen the business foundations of SME clients in its Sustainable Portfolio

48%

of 200 employees reached across all SMEs participating in the TA project were women

13%

global business performance improvement for participating SMEs

20

training for 20 Produbanco staff members (SME credit agents) across 8 provinces



LOOKING AHEAD

Produbanco continues to scale this non-financial advisory to SME clients to this day. As a partner for its clients' growth journeys, the bank considers this advisory service to be a key differentiator and unique value proposition for them. FinDev Canada's TA funding was deemed catalytic, enabling the bank to undertake this project to provide important services to its SMEs and grow its portfolio of sustainable SMEs. The institution has now created sustainability specialist roles across its provinces of operations to continue this work beyond the life of this project, helping them to build a pipeline of sustainable SMEs as future loan clients.

Produbanco also continues to enhance its own approach to sustainability in line with industry standards and best practices. In early 2023, the institution was chosen by FinDev Canada to participate in a pilot project with the Joint Impact Model (JIM)² and the Partnership for Carbon Accounting Financials (PCAF)³ due to its advanced climate action practices. Through this exercise, the bank further refined its GHG portfolio emissions accounting and reporting, in line with the bank's commitment to the Net Zero Banking Alliance and supporting Ecuador's zero carbon strategy. To this end, the bank is proactively engaging with its top GHG emitting clients, particularly those prioritizing their decarbonization goals, to offer them advisory services on GHG emissions accounting and creating tailored net zero strategies.

Through this partnership, FinDev Canada has gained valuable insights on the opportunities residing in strengthening the non-financial offerings of its financial institutions' clients. Similarly, the success of Produbanco's green and sustainable product offerings presents an interesting test case for transactions in the financial sector. In the meantime, FinDev Canada looks forward to continuing to work with this important Ecuadorian financial institution to support the economic resilience and sustainable growth of Ecuador.

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²The Joint Impact Model (JIM) is a tool designed to help financial institutions measure and disclose the impacts of their investment portfolios. It quantifies indirect jobs, value added, and greenhouse gas (GHG) emissions related to investments. The JIM aims to bring comparability, accountability, and transparency to the financial industry by using a harmonized and transparent methodology. For more read: <https://www.jointimpactmodel.org/about>

³The Partnership for Carbon Accounting Financials (PCAF) is a global initiative that brings together financial institutions to develop and implement a standardized approach for measuring and disclosing the GHG emissions associated with their loans and investments. For more read: <https://carbonaccountingfinancials.com>