Credit Expansion Program (Brazil)

Good practice: Investment Credits for Telecommunication Networks in Brazilian Small Towns

Relevant DFI commitment: Promote and use trustworthy network infrastructure and services suppliers, relying on risk-based assessments that include technical and non-technical factors for network security.
Type of the initiative: Project
Stakeholder Group: Government
Launch/adoption: 2024 - Now

Goals

The "Program to Expand Access to Credit for Investments in Telecommunications Networks" aims to bolster Brazil's digital transformation by improving internet connectivity in municipalities with fewer than 30,000 inhabitants. This initiative addresses critical market failures, including limited access to credit for small Internet Service Providers (ISPs) and substantial digital connectivity gaps in underserved areas. By facilitating long-term, low-cost financing for small ISPs, the program seeks to enhance broadband infrastructure, bridging the digital divide in rural and vulnerable communities. Additional objectives include reducing information asymmetries, fostering the digital inclusion of marginalised groups such as quilombolas and women-led businesses, and promoting sustainable development through energy-efficient digital infrastructure.

Aligned with Brazil's climate and socio-economic goals, the program also integrates a focus on gender and diversity. It ensures inclusive access to digital tools and infrastructure while leveraging Brazil's Universal Telecommunications Service Fund (FUST) to achieve these objectives. By prioritising small ISPs, the program intends to improve connectivity for approximately 680,000 people, supporting schools, hospitals, and businesses and driving social and economic inclusion in Brazil's interior regions.

Description

Component 1: Financing for ISP Investments
With a $100 million allocation, this component facilitates access to credit for small ISPs to expand internet infrastructure, focusing on municipalities with less than 30,000 residents. Financing mechanisms include creating and funding credit guarantees, establishing non-banking credit instruments, and supporting long-term credit lines through FUST resources. This will enable ISPs to deploy cost-effective technologies like aerial fibre optics, leveraging existing infrastructure. The component emphasises territorial approaches to target diverse populations and underserved communities.

Component 2: Improving ISP Information
This $1.5 million component reduces information asymmetries between ISPs and financial institutions. It involves implementing a data-driven credit scoring system to validate ISPs' self-reported data and assess their projects' feasibility and social impact. This system will enhance the financial market's trust in small ISPs and optimise credit allocation. Efforts also include gathering sex-disaggregated data to better understand and support women-led ISPs.

The initiative is managed by Brazil's Ministry of Communications (MCOM) with oversight from the Inter-American Development Bank (IDB). It demonstrates an innovative approach by leveraging FUST resources to

mobilise private investment, promote inclusivity, and stimulate local economies while addressing environmental and social sustainability goals.