

 Early Warning System

IDBI-12668-01

Kandao Debt Fund



## Quick Facts

Countries	Colombia, Mexico, Peru
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	B
Voting Date	2019-11-19
Borrower	Kandao Fund 3D (I), L.P.
Sectors	Finance
Investment Type(s)	Equity
Investment Amount (USD)	\$ 30.00 million
Loan Amount (USD)	\$ 30.00 million



### Project Description

IDB Invest is evaluating an investment of up to US\$30 million in Kandao Fund 3D (I), LP, which is one of the vehicles that is part of Kandao Fund 3D (the "Fund"), a regional investment fund that will provide financing to middle-market companies in Peru, Mexico and Colombia. The project's objective is to increase access to customized financing for companies with growth potential but which lack access to long-term financing, contributing to their growth initiatives and job creation. The Fund will be managed by Kandao Investments Advisor LLC ("Kandao"), an experienced fund manager, which is composed of a team of qualified professionals with experience investing in middle-market companies in Latin America. IDB Invest's participation will allow the Fund to reach the necessary scale to effectively execute its strategy. In addition, IDB Invest will provide a technical assistance that aims at strengthening the diversity, inclusion and gender initiatives at the Fund level.



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## Early Warning System Project Analysis

E&S category according to the bank:FI-2



## People Affected By This Project

No.

TASK

ACTION

PRODUCT

COMPLETION DATE

1

Implement IDB Invest's exclusion list

Ensure the inclusion of all activities on IDB Invest's exclusion list in Kandao's exclusion list.

Updated exclusion list.

Prior to the first disbursement.

2

Strengthen existing policies

Improve the ESMS by following the International Finance Corporation's (IFC) Performance Standard 1 guidelines, strengthening its procedures to assess its projects in relation to the Performance Standards.

Together with an independent consultant, the ESMS should include: i) Environmental and Social Policy, ii) Internal organizational capacity, iii) Environmental and due diligence processes/procedures in identifying risks and impacts, iv) Portfolio monitoring and supervision, v) External communication procedure.

The ESMS should indicate that in projects categorized as moderate-high risk, Kandao will require the implementation of the IFC's Performance Standards and the contracting of an external consultant to assist in the assessment and mitigation of environmental and social risk.

Environmental and Social Management System (ESMS). Proof of personnel training.

9 months after financial closure (signing of investment commitment).

3

Assessment of the first three transactions

Together with an independent consultant, implement the ESMS in selected clients/projects. Kandao will send the first three fund transactions to IDB Invest for review and feedback, in order to: (i) confirm E&S categorization and (ii) assess the proposed action plan.

Report on the implementation and assessment of pilot projects.

When the first three transactions have been made.

4

Capacity Building and training

Train personnel responsible for implementing ESMS on E&S requirements of national laws and the implementation of IFC's performance standards (PS). Ensure that all new personnel receive the same training.



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## Investment Description

- IDB Invest (IDBI)

## Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- [Kandeo](#) (Financial Intermediary)



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## Contact Information

### ACCOUNTABILITY MECHANISM OF IADB

The Independent Consultation and Investigation Mechanism (MICI) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an Inter-American Development Bank (IDB) or Inter-American Investment Corporation (IIC)-funded project. If you submit a complaint to MICI, they may assist you in addressing the problems you raised through a dispute-resolution process with those implementing the project and/or through an investigation to assess whether the IDB or IIC is following its own policies for preventing or mitigating harm to people or the environment. You can submit a complaint by sending an email to [MICI@iadb.org](mailto:MICI@iadb.org). You can learn more about the MICI and how to file a complaint at <http://www.iadb.org/en/mici/mici,1752.html> (in English) or <http://www.iadb.org/es/mici/mici,1752.html> (Spanish).

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## Bank Documents

- [environmental-and-social-review-51805-en](#)