Early Warning System

IDBI-12872-01

Avla Chile WHL

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Quick Facts

Countries	Chile
Financial Institutions	IDB Invest (IDBI)
Status	Approved
Bank Risk Rating	FI
Voting Date	2021-03-03
Borrower	AVLA Seguros de Crédito y Garantía S.A.
Sectors	Finance
Investment Type(s)	Guarantee, Loan
Investment Amount (USD)	$ 40.00 million
Loan Amount (USD)	$ 40.00 million

Project Description

The proposed project includes a financing mechanism that will consist on a senior, secured, revolving warehouse facility of up to US$40 million, whose proceeds will be used to purchase and accumulate eligible endorsable mortgage loans or other similar instruments to small and mid-sized companies in Chile for a future asset backed securitization. The transaction will support and improve SMEs access to financing in Chile, narrowing the current financing gap that is increasing due to the COVID-19 crisis, and will help further expand debt capital markets in the country through new issuances of asset backed securities. The proceeds from the line will allow AVLA Group to expand its SMEs' credit insurance business segment. The warehousing facility may support several accumulation periods, for a maximum of six years.

The sub-loans are expected to average US$400,000 with a tenor of roughly four (4) years.

Early Warning System Project Analysis

1. **Scope of Environmental and Social Review.** AVLA is a new client of IDB Invest and does not have an operating Environmental and Social Management System ("ESMS"). As a condition of this operation, AVLA will develop and implement an ESMS, and appoint a team member with the necessary capacity to manage and supervise E&S risk.

1. **Environmental and Social Categorization and Rationale.** The proposed operation is classified as an FI-2 per IDB Invest's Sustainability Policy, given the primary focus on SMEs. Category A sub-projects, per IDB Invest's definition, will be excluded.

1. **Environmental and Social (E&S) Risks and Impacts**. The main E&S risks of this projects are associated with AVLA's capacity to identify and manage the E&S risks associated with its activities. The Environmental Social Health and Safety ("ESHS") impacts and risks associated with loans to SMEs are likely to be moderate in nature. AVLA's portfolio is concentrated in commerce and services (62%), as well as exposure to construction (12%), agriculture (13%), and manufacturing (5%).

1. **Mitigation Measures.** AVLA does not currently have an ESMS and will develop one.. The ESMS will apply at a minimum to the financial guarantee and private credit insurance business lines. AVLA will be required to ensure that all loans supported under the operation comply with IDB Invest's Exclusion List, applicable E&S local laws, and the ESMS. Sub-loans will be limited to US$2 million. The scope of the ESMS is defined in the below action plan.

1. **Environmental and Social Action Plan** https://idbinvest.org/en/projects/avla-chile-whl

Investment Description

- IDB Invest (IDBI)

Loan & Guarantee

Private Actors Description

Borrower: AVLA Seguros de Crédito y Garantía S.A.

Contact Information

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