Early Warning System

IDBI-13102-01

Kubo Financiero

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Quick Facts

Countries	Mexico
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	C
Voting Date	2020-12-01
Borrower	Ku-bo Financiero, S.A. de C.V., S.F.P.
Sectors	Finance
Investment Type(s)	Equity
Investment Amount (USD)	$ 10.00 million

Project Description

The proposed financing consists of an equity investment in Ku-bo Financiero, S.A. de C.V., S.F.P. ("Kubo" or the "Company") of up to the Mexican peso equivalent of US$10 million. Kubo is a microfinance company with primarily digital operations that is regulated by the Mexican National Banking and Securities Commission. The Company offers loan, deposit and payment products through its online platform. IDB Invest's investment will consist of a subscription of the preferred shares to be issued by Kubo (the "Financing").

The Financing will serve as a stimulus to develop the fintech industry in Latin America and the Caribbean. The investment in Kubo will have strong financial additionality, as it will bolster the capital base to support the Company's growth, strengthen its IT systems and implement marketing strategies. Financing could be complemented with advisory services focused on creating inclusive financing products for Micro, Small and Medium Enterprises ("MSMEs") and developing an alternative credit analysis system.

People Affected By This Project

1. Scope of the Environmental and Social Review

The operation's environmental and social ("E&S") analysis consisted of a review of documentation on the portfolio and E&S processes, as well as discussions with Kubo representatives during the due diligence.

2. Environmental and Social Classification, and its Fundamentals

The proposed operation is classified as IF-3 under the IDB Invest Environmental and Social Sustainability Policy. Even though it involves equity investment financing, the portfolio of sub-projects to which support will be provided has a low risk potential; that is, the sub-loans granted by Kubo are expected to include commercial and production activities which in most cases have minimal or no adverse E&S impacts. The sub-loans to be granted by Kubo using IDB Invest funds will be business loans to individuals and microenterprises in Mexico. Going forward, the Company will seek to expand its offering to MSMEs.

As of the end of the second quarter of 2020, the loan portfolio was made up of loans in the following categories: (i) business loans (45% of total loans/41% of loan portfolio value) for fixed asset purchases, merchandise purchases, business improvements, business debt refinancing, housing improvement, education and health; and (ii) personal loans (55% of total loans/59% of loan portfolio value) for personal debt repayment, recreation, vehicle repair or replacement, family events and home furnishing purchases. These sub-loans range in value from: (i) MXN5,000 to MXN100,000, for new loans, with terms from four to 36 months; (ii) up to MXN250,000 for renewal or additional loans, with terms from four to 60 months; and (iii) up to MXN800,000 for restructuring payments, with terms from four to 60 months.

Kubo will refrain from financing activities classified as Category A (high risk), nor can it finance activities in the sectors specified in the IDB Invest Exclusion List.

3. Environmental and Social Risks and Impact

The E&S risks of this operation are related to Kubo's ability to assess and manage the risks associated with its financing activities. At present, the Company's loan portfolio focuses on business and personal loans to individuals and microenterprises with low risk potential.

The Company has implemented basic procedures that, according to IDB Invest's policy, constitute an Environmental and Social Management System ("ESMS"). Kubo has a Policy on Unauthorized Activities and Drafts and a qualified organizational structure, made up of a Vice President of Credit and a Compliance Officer, who verify and evaluate the risk and regulatory compliance of each sub-loan. The Company has also implemented a Code of Ethics, Internal Labor Regulations and an Occupational Health Plan, which comply with Mexican labor and Occupational Health and Safety ("OHS") regulations.

The Company has developed efficient external communication mechanisms, both to provide business information to interested parties and to receive and review inquiries and complaints regarding the social and environmental risks and impacts of its operations. Similarly, its Code of Ethics establishes an internal communication mechanism and procedure for receiving and addressing grievances and complaints from shareholders, directors, officers, suppliers and employees of the Company.

4. Mitigation measures

All financing granted by Kubo, in addition to complying with the Policy on Unauthorized Activities and Drafts, must comply with the provisions of the IDB Invest Exclusion List. Furthermore, financing for microenterprises--and eventually, MSMEs--must comply with applicable Mexican laws, specifically: (i) compliance with labor and OHS legislation, particularly the prohibition of child labor and forced labor, non-discrimination, gender equity and guaranteeing safe working conditions; and (ii) environmental legislation, in order to minimize environmental impacts through the control of air emissions, the adequate

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.

- Ku-bo Financiero, S.A. de C.V., S.F.P. (Financial Intermediary)

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ACCESS TO INFORMATION

You can submit a request for information disclosure at: https://www.iadb.org/en/access-information/information-request

ACCOUNTABILITY MECHANISM OF IDB / IDB INVEST

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 (IDB Invest)-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 IDB Invest 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. 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).