Early Warning System

IDBI-13110-01

AES El Salvador Deferred Electricity Receivables Purchase Facility

Early Warning System

AES El Salvador Deferred Electricity Receivables Purchase Facility

IDBI-13110-01

Quick Facts

Countries	El Salvador
Financial Institutions	IDB Invest (IDBI)
Status	Approved
Bank Risk Rating	C
Voting Date	2020-07-02
Borrower	Compania de Alumbrado Electrico de San Salvador, S.A. de C.V. (CAESS), Empresa Electrica de Oriente,
Sectors	Energy
Investment Type(s)	Loan
Investment Amount (USD)	$ 60.00 million
Loan Amount (USD)	$ 60.00 million

Project Description

The proposed transaction is a payment facility to purchase accounts receivable for up to USD 120 million ("The Facility" or "The Transaction") that will be used to discount electricity bills issued by four (4) electricity distribution companies in El Salvador: i) Compania de Alumbrado Electrico de San Salvador, SA de CV (CAESS); ii) Empresa Electrica de Oriente, S.A. de C.V. (EEO); (iii) AES CLESA S. en C. de C.V. (CLESA); and iv) Distribuidora Electrica de Usulutan (DEUSEM) (hereinafter "AES El Salvador" or "the Companies"). The Companies are controlled, and majority owned by The AES Corporation. The invoices arise from Executive Decree No. 12 of the Executive Body (dealing with COVID-19) for the Health Sector of March 21, 2020, for the deferral of payment of electricity consumers' invoices, in order to address the Companies' liquidity and working capital needs. The credit line will be available for up to three months and the deferred invoice payments shall be repaid in 24 monthly installments.

People Affected By This Project

1. General Information of the Operation

The operation consists of the creation of an uncommitted receivable purchase facility to finance the deferral of payments of end-user electricity bills in El Salvador, resulting from the implementation of the measures provided for in Presidential Executive Order #12 in response to the impact of the COVID-19 virus. This Executive Order provides for the suspension of electricity payments for three months beginning in April 2020, without incurring any late charges or interest fees, or affecting end users' credit ratings. The funds obtained from the transaction will be used solely to cover the temporary lack of liquidity resulting from the enforcement of Presidential Executive Order #12 in the Companies.

The environmental and social analysis of the proposed transaction consisted of a documentary review of the Companies' environmental and social performance over time, underscoring compliance with the following Performance Standards(PS): PS 1: Assessment and Management of Environmental and Social Risks and Impacts; and PS 2: Labor and Working Conditions; PS 3: Resource Efficiency and Pollution Prevention; and PS 4: Community Health, Safety and Security.

3. Environmental and Social Categorization and Rationale

This transaction has been classified as a Category C operation under the IDB Invest Environmental and Social Sustainability Policy, given that its incremental impacts will be practically negligible and that the resources obtained from the transaction will not be used to make any capital investments but only to provide liquidity to the Companies while the economic restrictions generated by the COVID-19 pandemic endure.

4. Environmental and Social Risks

4.1 Assessment and Management of Environmental and Social Risks and Impacts

All the Companies have their respective Environmental Permit (equivalent to an environmental license) issued by the Ministry of the Environment and Natural Resources (MARN, for its Spanish acronym) upon approval of the corresponding Environmental Impact Study (EIS). This study includes plans, programs and actions to prevent, mitigate and compensate for the environmental and social risks that have been identified as relevant in their respective studies. These prevention, mitigation, or compensation actions are carried out through a solid environmental and social management system (ESMS), which has been implemented in the Companies in recent years.

Environmental verification has allowed us to confirm that the Companies have substantially and consistently complied with the requirements of their respective Environmental Permits.

4.2 Labor and Working Conditions

Labor issues are very well regulated in El Salvador in terms of working hours, wages, vacations, workers' compensation, and labor regimes, among other aspects.

Given that El Salvador is a signatory to several conventions of the International Labor Organization (ILO), including Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize and Convention No. 98 concerning the Right to Organize and Collective Bargaining; Convention No. 100 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value and Convention No. 111 concerning Discrimination in Respect of Employment and Occupation; Convention 135 concerning Worker's Representatives; Convention 151 concerning Occupational Safety and Health; the Salvadoran Labor Code force recognizes the following rights of workers, regardless of the contractual regime binding them: (i) non-discrimination; (ii) remuneration for work performed; (iii) rest days, holidays, leaves of absence, bonuses and other benefits; (iv) non-exploitative working hours; (v) freedom of association and collective bargaining; (vi) occupational health, safety and security; (vii) social security; (viii) decent treatment; (ix) maternity leave and nursing, in the case of women; (x) retirement,

Investment Description

- IDB Invest (IDBI)

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	AES Corporation	Buyer	-

Contact Information

Manuel Perez-Benitoa R.
Debt Compliance Specialist
+ (507) 6485-2836

manuel.fperez@aes.com

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. 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).