Early Warning System

IDBI-13976-01

LAC Green Debt Fund

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Quick Facts

Financial Institutions	IDB Invest (IDBI)
Status	Approved
Bank Risk Rating	B
Voting Date	2022-09-20
Borrower	DIC Latin American Fund IV, L.P. (Darby International Capital)
Sectors	Agriculture and Forestry, Energy, Finance, Industry and Trade, Transport
Investment Type(s)	Equity
Investment Amount (USD)	$ 50.00 million
Project Cost (USD)	$ 450.00 million

Project Description

The Project objective is to increase the access to Climate Finance solutions to mid-market companies in Latin America and the Caribbean ("LAC") through the provision of tailored long-term growth financing solutions for climate investments to mitigate and adapt to Climate Change impacts across the region.

The Project consists of an IDB Invest investment of up to US$50 million in the DIC Latin American Fund IV, L.P., the first private credit climate finance fund in LAC.

The Fund will be managed by Darby International Capital, an independent investing firm, founded in 2020 as a result of the team spinning-off from Franking Templeton's private debt arm, focused on private credit solutions for mid-market companies across LAC. Darby's management team is led by Richard H. Frank Jr. and Ignacio Aicardi, both seasoned investors and former heads of Franklin Templeton private credit strategy in LAC.

With a target size of US$450 million, the Fund's investment strategy is built around providing tailored credit solutions to around 10-12 mid-market companies (with EBITDAs of US$5 million-US$20 million), consisting mainly in senior secured loans with equity kickers (i.e., warrants, income participation, among others). The Fund will be focused on financially sound companies with natural currency hedges, proven management track records, moderate operating and financial risk profiles, and strong competitive positions within their respective sectors, but lacking adequate financing for its business model and expansion plans. The Fund will invest at least 30% of the portfolio in climate investments, with an aspirational target of 50%. The Fund will have a five-year investment period and a total life of 10 years, with the possibility of two one-year extensions.

The Fund can play a key role in developing tailored Climate Finance solutions for mid-market companies across LAC's private credit market to support sustainable economic growth while mobilizing local and international investors' capital towards the advancement of the Climate Finance agenda in the region.

Early Warning System Project Analysis

The IDB Invest categorized the project E&S risks as 'FI-2'.

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.

- DIC Latin American Fund IV, L.P. (Financial Intermediary) **is owned by** Darby International Capital (Parent Company)

Contact Information

EMAIL: requestinformation@idbinvest.org

PHONE: +1(202)-566-4566

ADDRESS: 1350 New York Ave NW, Washington, DC 20005

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).

Bank Documents

- DARBY LAC GREEN DEBT FUND (ESRS) [Original Source]