

Early Warning System

MIGA-14600

Banco Davivienda S.A.

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Quick Facts

Countries	Colombia
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Approved
Bank Risk Rating	U
Voting Date	2020-05-14
Borrower	Banco Davivienda S.A.
Sectors	Agriculture and Forestry, Construction, Finance, Industry and Trade
Investment Type(s)	Guarantee
Investment Amount (USD)	$ 47.50 million

Project Description

PROJECT DESCRIPTION

This summary covers a non-shareholder loan from the OPEC Fund for International Development (OFID) to Banco Davivienda S.A. (Davivienda), one of the largest commercial banks in Colombia. The OPEC Fund has applied for MIGA guarantees of up to US$47.5 million against the risks of Transfer Restriction and Currency Inconvertibility for a period of up to 10 years.

The Project consists of a Basel III compliant Tier 2 (B3T2) subordinated loan, the proceeds of which will be used to (i) strengthen and diversify Davivienda's capital base; and (ii) support Davivienda's further on-lending to women-owned small and medium sized-enterprises (WSMEs), social housing and green building projects in Colombia. The B3T2 subordinated loan instrument from the OPEC Fund will form part of a larger IFC-led syndication in which the OPEC Fund will participate on parallel loan terms.

ENVIRONMENTAL CATEGORIZATION

As described above, the proposed Project involves targeted loans to WSMEs, social housing and green buildings.Given that the targeted use of proceeds are expected to have low to moderate Environmental and Social (E&S) risks, this Project has been categorized as FI-2 according to MIGA'sPolicy on Environmental and Social Sustainability (2013).

Davivienda is majority owned by Grupo Bolivar, a financial conglomerate based in Colombia. Davivienda is an important regional player and serves more than 12.3 million clients through a network of 672 branches and over 2.7 thousand ATMs across six countries (Colombia, Panama, Costa Rica, El Salvador, Honduras and the USA).

The Bank has over 48 years of track record in the local market. Davivienda offers a wide range of financial services to retail, Small Medium Enterprises (SMEs) and corporate clients. The Colombian operation has a diversified loan portfolio comprised by commercial (49%), consumer (28%) and housing (23%) loans and is the largest housing lender in the country, with a 25% market share as of March 2020.

Davivienda, will be required to assess all loans within the Project against the MIGA's Exclusion List, applicable E&S laws and regulations, and the MIGA Performance Standards. The Project will not support any activities with significant E&S impacts such as (a) involuntary resettlement, (b) risk of adverse impacts on Indigenous Peoples, (c) significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage, or (d) significant occupational health and safety risks. It will also not support any activities related to coal such as coal mining, coal transportation, coal-fired power plants, or infrastructure services dedicated to support any of these activities.

The main E&S risks of this project are associated with Davivienda's capacity to identify and manage the E&S risks associated with the lending activities supported by the project in Colombia, particularly lending to SMEs and green buildings (as applicable). The potential risks in these types of investments revolve around occupational health and safety, pollution prevention & mitigation, and community health, safety and security.

Davivienda is an existing IFC client with a long-standing relationship and IFC guided Davivienda in the implementation of an Environmental and Social Management System (ESMS) that covers the Bank's entire portfolio (as needed) and that of its subsidiaries.MIGA worked in close collaboration with IFC in assessing the Bank's systems and capacity to manage E&S risks. Davivienda has implemented a comprehensive ESMS to identify, manage and avoid E&S risks. The Bank has a qualified team trained to manage E&S risks and impacts and covers project finance, corporate lending, and SMEs.

MIGA has also reviewed Davivienda's labor practices and life and fire safety risks and determined that these are being managed in line with MIGA's requirements.

As part of this project, Davivienda will be required to: (i) maintain the existing ESMS to assess applicable the project against

Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

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.

- Multilateral Investment Guarantee Agency (MIGA) (Financial Intermediary)
- OPEC Fund for International Development (OFID) (Financial Intermediary)

Contact Information

ACCOUNTABILITY MECHANISM OF MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

MIGA supports its clients (as defined in MIGA Policy on Environmental and Social Sustainability) in addressing environmental and social issues arising from their business activities by requiring direct investment clients to set up and administer appropriate grievance mechanisms and/or procedures to address complaints from Affected Communities. MIGA support to Financial Intermediary clients applying the Performance Standards are required to develop External Communications Mechanisms to receive and review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations as per the requirements of Performance Standards 1.In addition, Affected Communities have unrestricted access to the Compliance Advisor/Ombudsman (CAO), the independent accountability mechanism for MIGA. The CAO is mandated to address complaints from people affected by MIGA-guaranteed business activities in a manner that is fair, objective, and constructive, with the goal of improving environmental and social project outcomes and fostering greater public accountability of MIGA.Independent of MIGA management and reporting directly to the World Bank Group President, the CAO works to resolve complaints using a flexible, problem-solving approach through its dispute resolution arm and oversees project-level audits of MIGA's environmental and social performance through its compliance arm.Complaints may relate to any aspect of MIGA-guaranteed business activities that is within the mandate of the CAO. They can be made by any individual, group, community, entity, or other party affected or likely to be affected by the environmental or social impacts of a MIGA-guaranteed business activity. Complaints can be submitted to the CAO in writing to the address below:Compliance Advisor/Ombudsman

International Finance Corporation

2121 Pennsylvania Avenue NW

Room F11K-232

Washington, DC 20433 USA

Tel: 1 202 458 1973

Fax: 1 202 522 7400

E-mail: cao-compliance@ifc.org