Early Warning System

MIGA-14981

Financiera de Desarrollo Nacional Climate Finance Facility

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Quick Facts

Countries	Colombia
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Proposed
Bank Risk Rating	U
Borrower	Banco Bilbao Vizcaya Argentaria, S.A.(BBVA)
Sectors	Finance
Investment Type(s)	Guarantee
Investment Amount (USD)	$ 260.00 million
Project Cost (USD)	$ 273.00 million

Project Description

PROJECT DESCRIPTION:

This summary covers a proposed senior unsecured loan facility to be provided to Financiera de Desarrollo Nacional S.A (FDN) by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and other potential commercial lenders yet to be identified (together with BBVA, the Lenders).

MIGA is considering issuing a guarantee covering a loan of up to US$ 273 million from the Lenders to FDN. MIGA's guarantee would be for up to an estimated US$ 260 million for a period of up to 11 years against the risk of Non-Honoring of Sovereign Financial Obligations by a State-Owned Enterprise (NHSOE).

MIGA's NHSOE instrument will be used to support FDN's local lending operations with a focus on climate finance infrastructure projects that will foster and support green economic recovery in Colombia after the effects caused by the COVID-19 pandemic, and lay out the basis for the stabilization, protection, and reactivation of the Colombian business base.

ENVIRONMENTAL CATEGORIZATION:

FDN provides financing to infrastructure projects and corporate clients in Colombia. For this project, the MIGA guarantee will target FDN's climate finance projects in sectors such as renewable energy (predominantly, solar power projects), electric mobility (including, bus and railway systems) and water. Some of these projects could have significant environmental and social (E&S) risks and impacts, and as such, the portfolio is considered high risk. This project has thus been categorized as FI-1 under MIGA's Policy on Environmental and Social Sustainability (2013).

The main E&S risks of this project relate to FDN's ability to identify, assess, and manage the E&S risks and impacts associated with its lending activities and the management of labor matters. MIGA analyzed the FDN's portfolio for types of transactions, tenor, size, industry sectors, and exposure to MIGA's Exclusion List. MIGA also analyzed FDN's E&S risk management procedures in line with the requirements of Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts (PS1), and FDN's labor practices in line with the requirements of Performance Standard 2: Labor and Working Conditions (PS2). The applicable E&S requirements for this project will be: (i) MIGA Exclusion List; (ii) applicable E&S laws and regulations in Colombia; and (iii) MIGA E&S Performance Standards.

As of December 2021, loans to project finance represented 85.5% of FDN's portfolio, with corporate finance loans and capital market transactions representing 9.0% and 5.5% respectively. The main sectors being financed include infrastructure (mainly road projects), financial intermediaries, and transport services. FDN has no exposures to activities on the MIGA Exclusion List.

FDN has an E&S policywhich stipulates the E&S management system (ESMS) and the responsibilities of the E&S team. The ESMS includes a detailed procedure for identifying, assessing, and managing E&S risks and impacts associated with clients' activities. Core elements of the process include screening against FDN's exclusion list, categorization, assessment of compliance with applicable E&S laws and regulations and screening against the Performance Standards. Where required, corrective action plans are developed to address E&S gaps and E&S covenants are also included in contractual agreements with clients. The E&S performance of projects is monitored periodically and site visits to high-risk projects are typically conducted once a year. The E&S team is responsible for the overall implementation of the ESMS throughout FDN's portfolio and external communication. Additional support is provided by external consultants during due diligence and monitoring. To strengthen the E&S risk management process, FDN will be required to revise its internal E&S questionnaire to include all elements of the MIGA Performance Standards.

FDN's emergency response procedures are in line with the requirements of PS1. In response to the COVID-19 pandemic, FDN has developed a COVID protocol and implemented physical distancing and hygiene measures to minimize and manage the risk of exposure for its employees and clients.

Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

In addition to Banco Bilbao Viscaya, this guarantee will be extend to other financial institutions yet to be identified and that are willing to lend funds to Financiera de Desarrollo Nacional S.A (FDN).

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Banco Bilbao Vizcaya Argentaria, S.A.	Client	Finance

Contact Information

ACCESS TO INFORMATION

You can submit a request for information disclosure at: https://www.miga.org/contact/access_to_information

You can also request general information about MIGA and for information on guarantees by emailing: migainquiry@worldbank.org

ACCOUNTABILITY MECHANISM OF IFC/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