Early Warning System

MIGA-15038

Banco de Comercio Exterior de Colombia S.A.

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Quick Facts

Countries	Colombia
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Bank Risk Rating	U
Voting Date	2022-11-22
Borrower	Banco de Comercio Exterior de Colombia S.A.
Sectors	Finance
Potential Rights Impacts	Healthy Environment, Indigenous Peoples, Labor & Livelihood
Investment Type(s)	Guarantee
Investment Amount (USD)	$ 515.00 million

Project Description

PROJECT DESCRIPTION:

This summary covers an application made by Banco de Comercio Exterior de Colombia S.A. (Bancoldex) to cover a proposed commercial lending facility to be provided to Bancoldex by JP Morgan Chase Bank, N.A, and lenders yet to be identified (Lenders).

MIGA's coverage has been sought in relation to a Non-Honoring of Sovereign Financial Obligations by a State-Owned Enterprise (NHSOE) guarantee for a Colombian Peso denominated debt financing equivalent of up to US$ 515 million with a tenor of up to 3.5 years. The MIGA-guaranteed loan will be primarily used by Bancoldex to on-lend through financial intermediaries (FIs) to support the liquidity of Micro, Small and Medium Enterprises (MSMEs) in Colombia and thus support the restoration of economic activity as part of the post COVID-19 recovery phase. Bancoldex may also use the funds to provide direct financing to MSMEs or refinance existing MSME loans currently on their books.

ENVIRONMENTAL CATEGORIZATION:

The proposed Project involves targeted loans to MSMEs, mainly working capital loans. MSME activities typically have low to moderate environmental and social (E&S) risks and impacts which can be addressed through mitigation measures and as such, the portfolio risk is considered 'medium'. This Project has thus been categorized as FI-2 according to MIGA'sPolicy on Environmental and Social Sustainability (2013).

The main E&S risks of this Project relate to Bancoldex'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 Bancoldex's portfolio for types of transactions, tenor, size, industry sectors, and exposure to MIGA's Exclusion List. MIGA also analyzed Bancoldex'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 Bancoldex'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; and (ii) applicable E&S laws and regulations in Colombia.

MIGA previously supported Bancoldex from 2020 to June 2022 through a project involving targeted loans in response to the COVID-19 crisis. Bancoldex is a majority state-owned bank, which mainly on-lends through financial intermediaries (banks, financial cooperations, financial cooperatives and commercial finance companies specific to microenterprises, financial Non-Government Organizations, cooperatives with savings and credit activity, employee funds and compensation funds).

Bancoldex' s main products include, among others, a rediscount credit line and a direct credit line. MIGA's facility will be used for the rediscount credit line which involves Bancoldex on-lending through financial intermediaries targeted to MSMEs, and the direct credit lines to MSMEs.

As of July, 2022, Bancoldex composition per segment was 27% MSMEs, 19% corporates and 54% Financial Institutions, through the rediscount credit line. Bancoldex supports the following economic sectors: financial and insurance services, manufacturing, wholesale and retail trade, repair of motor vehicles, manufacturing, transportation and storage.

Bancoldex has minimal exposure through its rediscount credit line and direct lending to activities on MIGA's Exclusion List (Production or trade in alcoholic beverages, excluding beer and wine) and to palm oil, coal and extractive industries.

In 2021, Bancoldex implemented a robust E&S Management System (ESMS) to identify, manage and avoid E&S risks related to its direct credit line operations and rediscount credit line transactions per its E&S manual. In addition, as part of its Credit Risk Management System, Bancoldex assesses the E&S process and capacity of its financial intermediary clients. Bancoldex also has an E&S team.

Early Warning System Project Analysis

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Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	JPMorgan Chase & Co.	Undisclosed	-

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