

## MICROLEASING RESTRUCTURING PROGRAM FOR INVERSIONES PARA EL DESARROLLO S.A. (INDES)

(TC-99-04-01-9-CH)

### EXECUTIVE SUMMARY

<b>Requester:</b>	Inversiones para el Desarrollo S.A. (INDES)	
<b>Executing agency:</b>	INDES	
<b>Financing:</b>	MIF Window III-A	US\$570,000
	INDES:	US\$400,000
	Total:	US\$970,000
<b>Terms:</b>	Execution period:	36 months
	Disbursement period:	42 months
<b>Objectives:</b>	<p>The project's objective is to support the development of a model for microleasing (leasing for microentrepreneurs) that is technically, financially and methodologically sustainable, in order to guarantee timely access for micro and small enterprises in Chile to medium-term resources that will enable them to purchase new or used capital goods, thereby increasing their productivity.</p>	
<b>Description:</b>	<p>The restructuring of INDES will cover its administrative, technical, financial and markets units, and will include an upgrade of management information systems and dissemination of micro-leasing techniques as a sector development tool in other countries of the region.</p> <p>These components are intended to help INDES define an appropriate organizational structure for change and growth, to consolidate and improve micro-leasing technology, and to boost its financial consolidation and optimizing asset quality so as to serve as a model for services for the micro and small enterprise sector based on the financial leasing mechanism.</p> <p>It should be noted that INDES is the only institution in Latin America serving the microenterprise sector utilizing this innovative mechanism. Its advantages stem from its in-depth knowledge of its clientele and its traditional leasing management experience. The</p>	

challenge it faces is in making specific modifications to achieve a greater impact on the sector's productivity.

**Special  
contractual  
conditions:**

As a condition precedent to the first disbursement, the following documentation must be submitted to the Bank's satisfaction: (i) a strategic plan reviewed and approved by the Board of Directors (paragraph 2.5); (ii) terms of reference and bidding procedures for consulting services in program methodology, organization and financing (paragraph 4.1); (iii) a plan for gradual divestiture of Banco del Desarrollo shares, implementation of which will be a condition for the third and subsequent disbursements (paragraph 2.8), and (iv) minutes of the Shareholders' Meeting indicating that: (a) the shareholders agree to accept the designation of an additional director who will represent the MIF on the Board of Directors for the term of the project and who will be appointed by mutual consent of the parties (paragraph 2.8); (b) the IDB will be informed of the shareholders' dividend policy and their intention to reinvest the maximum dividend permitted by current law in the company (paragraph 2.21); and (c) the shareholders are committed to the project (paragraph 2.22).

**Conditions for  
project  
execution:**

The first disbursement from the revolving fund will be up to 10% of the total amount of the technical-cooperation funding. This disbursement will be made once the conditions precedent have been fulfilled.

An additional 20% may be disbursed once the executing agency submits to the Bank: (i) justification of expenses for the first disbursement, with the opinion of an outside auditor; (ii) a cost-benefit study of commercial relations between INDES and Bandesarrollo; and (iii) a progress report prepared by the executing agency.

An additional 20% may be disbursed once the following documentation has been submitted to the Bank's satisfaction: (i) justification of expenses for the second disbursement, with the opinion of an outside auditor; (ii) proof that the recommendations based on the cost-benefit study have been put into effect, establishing a relationship between INDES and its shareholders based on the arm's length principle; (iii) proof that the Board of Directors has established and implemented a performance-based incentive plan for its executives, particularly the manager, whose contract has been revised and approved by the Shareholders' Meeting with the Director for the MIF voting in favor; (iv) proof that the divestiture plan is being executed and that a portion of the shares has been sold; and (v) a progress report prepared by the executing agency.

An additional 20% may be disbursed once the following documentation has been submitted to the Bank's satisfaction: (i) the

mid-term evaluation report mentioned in paragraph 4.15; and (ii) justification of expenses for the third disbursement, which must be accompanied by the opinion of an outside auditor.

An additional 20% may be disbursed once the following documentation has been submitted to the Bank's satisfaction: (i) justification of expenses for the fourth disbursement, with the opinion of an outside auditor; (ii) proof that the divestiture plan has continued, with at least 70% of the shares having been sold off to date; and (iii) a progress report prepared by the executing agency.

The remaining 10% may be disbursed once the Bank receives, to its satisfaction: (i) justification of expenses for the fifth disbursement, with the opinion of an outside auditor; and (ii) a progress report prepared by the executing agency.

**Monitoring and Evaluation:**

For each of the three years following the first disbursement, INDES will submit audited financial statements to the Bank. It will also submit semiannual statistical reports on the trends in the performance indicators described in the Logical Framework Matrix.

A consultant selected by the Bank and hired by INDES with resources from the technical-cooperation will prepare a mid-term evaluation once 50% of the technical-cooperation funding has been disbursed or 18 months into the project, whichever occurs first. The evaluation will review all aspects of project execution and indicate any necessary corrective measures to ensure project execution. It may recommend that disbursements be suspended if structural defects in project execution are detected. Disbursements may be resumed once the executing agency has shown that it has taken the measures necessary to correct the situation (paragraph 4.15).

A progress report prepared by INDES must be submitted for each disbursement. The report will detail the institutional, administrative, financial and technical changes being carried out, and compliance with the performance indicators. Deviations of more than 20% in the attainment of these targets will lead to the suspension of disbursements, which may be resumed once compliance with the indicators can be demonstrated.

**Exceptions to Bank policy:**

None