

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

Small Enterprise Development Facility
Second Line of Activity for Strengthening Financial Institutions for Microenterprise

PERU

LINE OF ACTIVITY MEMORANDUM

**EXPANDING MICROFINANCE SERVICES:
INSTITUTIONAL STRENGTHENING OF
BANCO INTERNACIONAL, S.A. (INTERBANK)**

(PE-M1037)

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Preparation:

- Interbank project application
- Interbank annual audited financial statements for 2003, 2004, and 2005
- Interbank bylaws
- Terms of reference for principal consultants
- Projected financial statements for Interbank, S.A. 2007–2009
- Historical financial statements for Interbank, S.A. 2003–2006
- Verification of eligibility criteria for the line of activity
- Interbank organizational chart

Execution:

- Financial and portfolio projections for Interbank's Microenterprise and Small Business Division
- 2007–2011 business plan for Interbank's Microenterprise and Small Business Division

ABBREVIATIONS

CAF	Andean Development Corporation
CMAC	Caja Municipal de Ahorro y Crédito [Municipal Savings and Loan Bank]
CRAC	Caja Rural de Ahorro y Crédito [Rural Savings and Loan Bank]
EDPYME	Entidad de Desarrollo de la Pequeña y Micro Empresa [Microenterprise and Small Business Development Agency]
MES	Microenterprise credit
MIS	Management information system
PCR	Project completion report
PPMR	Project performance monitoring report
SBS	Superintendencia de Banca, Seguros, y Administradores de Fondos de Pensiones [Superintendency of Banks, Insurance Companies, and Pension Plan Administrators]

LINE OF ACTIVITY FOR STRENGTHENING FINANCIAL INSTITUTIONS FOR MICROENTERPRISE

Executing agency:	Banco Internacional, S.A. (Interbank)						
Beneficiaries:	The direct beneficiaries will be the nearly 43,000 urban microentrepreneurs who receive credit and other financial services.						
Financing:	<table> <tr> <td>MIF Window III-A (MIF/GN-75):</td><td>US\$288,000 (44%)</td></tr> <tr> <td>Local counterpart:</td><td>US\$362,000 (56%)</td></tr> <tr> <td>Total:</td><td>US\$650,000 (100%)</td></tr> </table>	MIF Window III-A (MIF/GN-75):	US\$288,000 (44%)	Local counterpart:	US\$362,000 (56%)	Total:	US\$650,000 (100%)
MIF Window III-A (MIF/GN-75):	US\$288,000 (44%)						
Local counterpart:	US\$362,000 (56%)						
Total:	US\$650,000 (100%)						
Objectives:	The goal of the project is to help expand and deepen microfinance services in Peru. The purpose is to foster a downscaling model to promote expanding the supply of competitive financial services to microenterprises and low-income sectors.						
Execution schedule:	<table> <tr> <td>Execution period:</td><td>36 months</td></tr> <tr> <td>Disbursement period:</td><td>39 months</td></tr> </table>	Execution period:	36 months	Disbursement period:	39 months		
Execution period:	36 months						
Disbursement period:	39 months						
Contractual conditions:	As conditions precedent to the first disbursement, Interbank must submit, to the Bank's satisfaction, evidence that it has: (i) appointed a manager to the Microenterprise and Small Business Division; and (ii) selected an administrative technical assistant.						
Social and environmental review:	Project activities will not have a direct effect on the environment. Nevertheless, an environmental specialist will be hired to help Interbank develop a policy that incorporates environmental criteria into its operations.						
Coordination with other donors:	The project does not overlap with the activities of any other donor institutions because no other bilateral or multilateral agencies are providing technical cooperation resources to support the incursion of commercial banks into microfinance in Peru. The Bank will however share information with the Andean Development Corporation (CAF) during project execution, to look into possible future coordination in this sector, as the CAF may support similar initiatives with other banks in coming years.						
Exceptions to Bank policies:	None.						

I. BACKGROUND AND RATIONALE

A. The microenterprise sector in Peru

- 1.1 There are some 3.1 million microenterprises and small businesses in Peru, accounting for 97.7% of business units; their activities contribute approximately 42% of the gross domestic product (GDP). The microenterprise and small business sector is the main source of employment in Peru, providing jobs for nearly 60% of the country's economically active population. Moreover, reports indicate that another 21% of workers are self employed.¹
- 1.2 Despite their clear economic importance, microenterprises and small businesses in Peru have limited access to financial services. Estimates place financial deepening (loans/GDP) for 2005 at 19%—below the Latin American average of 24%. Peru had only 4.2 bank branches or agencies per 100,000 inhabitants, compared to the regional average of 7.3. Conservative estimates based on recent studies² show that only 23% to 56% of Peru's potential microenterprise and small business customers currently have access to financial services. Hence, more than 44% of microenterprises and small businesses are still not in the formal financial system—a source of potential demand. What is more, microenterprise and small business loans are short term, with high demand for loan renewals, which ensures ongoing demand.

B. The supply of microfinance services

- 1.3 The supply of financial services for microenterprises and small businesses presently consists of 42 financial entities with a combined microcredit portfolio of US\$1.463 billion and 915,777 active clients (August 2006). These include: (i) three commercial banks: MiBanco (the only Peruvian bank specializing in microfinance), Banco de Credito, and Banco del Trabajo;³ (ii) 13 Municipal Savings and Loan Banks (CMAC), including some of the microfinance pioneers in Latin America; (iii) 12 Rural Savings and Loan Banks (CRAC) created to promote rural and agricultural credit in Peru; and (iv) 14 microenterprise and small business development agencies (EDPYME), specializing in the microenterprise and small business credit segment.
- 1.4 Commercial banks in Peru have begun to view this market niche as an attractive business opportunity, and are gearing up and preparing to venture into it. Banks'

¹ Levano de Rossi, Cecilia, "Estadísticas de la micro y pequeña empresa" [Statistics for microenterprises and small businesses], National Directorate for Microenterprises and Small Businesses, Ministry of Labor and Employment, Lima, April 2005.

² Oxfam employment report. 2003–2004 Annual Report. *Poverty and Development in Peru*; and Navajas, S. and Tejerina, L. (2006). *Microfinance: How Large is the Market?* SDS/MSM, Inter-American Development Bank.

³ These two banks are examples of downscaling in Peru, which they accomplished on their own several years ago. At first, they went through a difficult time because they failed to adopt the best microfinance practices, mixing consumer credit practices with microenterprise credit. Today, they account for over 25% of the total microcredit portfolio in Peru.

interest in microenterprises and small businesses is chiefly driven by the need for a strategy to diversify their portfolios to offset stiff competition in traditional market segments and high liquidity levels, in addition to the attractive margins in the microfinance sector. Banks are therefore expected to maintain a very aggressive policy, competing with interest rates, advanced technologies, and a network of services for micro and small entrepreneurs.

- 1.5 One such bank, Banco Internacional (Interbank), has decided to enter the microfinance market as an integral component of its strategy to become a lead retail bank. Interbank is taking the first steps into this segment,⁴ confident that not only is it possible to do good business, but that it will generate economic surpluses and create jobs among its business customers.
- 1.6 **Banco Internacional S.A. (Interbank).** Interbank is one of Peru's main commercial banks, providing a broad range of financial services to over 950,000 clients through a network of 107 "financial stores"⁵ and 571 automated teller machines strategically distributed throughout the country. With US\$2.212 billion in assets, US\$1.739 billion in deposits, and net worth of US\$187 million as of September 2006, Interbank is ranked first in consumption, and second in credit card lending in the financial system. Having historically served the corporate segment, five years ago Interbank decided on a strategic shift, targeting small and medium-sized enterprises. At the same time, it focused its efforts on becoming one of the largest consumer banks in Peru. In furthering this strategy, it is logical for the bank to now focus on the microenterprise and small business sector, which will reinforce its image as a bank for everyone.
- 1.7 Interbank submitted an application under the framework of the Second Line of Activity for Strengthening Microfinance Institutions, requesting support for downscaling, to strengthen its technical capacity to implement its business plan, and ensure its success in the medium term. The requested support would address the following *key challenges* identified in the business plan drawn up to develop and launch its microlending program:
 - a. *Microfinance products and technologies.* Although Interbank is one of Peru's largest banks, it has no prior experience serving microenterprises and small businesses. It therefore lacks products suitable for this market segment, and must urgently design and develop the products and technologies best suited to the profile of this new customer base. Hence the need for Interbank to contract technical assistance services to: (i) design and implement microcredit products; (ii) develop manuals, policies and procedures for the new products, including decentralized approval procedures; (iii) advise on how best to start the program's initial phase, evaluate preliminary results, and formulate

⁴ An international firm specializing in microfinance was hired to prepare the business plan to design and launch its microcredit program. The plan was approved, and an experienced official was appointed to lead the initiative.

⁵ The term "store" is used throughout this document instead of agency or branch, because that is the term Interbank uses.

recommendations concerning the expansion; and (iv) advise on bringing its lending policies in line with IDB environmental policy standards.

- b. *Capacity to manage microlending.* Serving microenterprises and small businesses is becoming very competitive in Peru. Interbank therefore requires support so as to guarantee efficient and prudent management as it ventures into the microfinance market. It is not a matter of improving existing capacities, but rather of developing new ones to successfully conduct the business of lending to microenterprises and small businesses. This calls for support to build the capacity of key Interbank officials and management to manage microcredit in accordance with industry best practices, and to incorporate this new product as a cornerstone of Interbank's strategy.
- c. *Information systems.* In order to ensure efficient and competitive management of the new products, existing hardware and software needs to be adapted to administer microfinance services, which are quite different from current Interbank services. This will involve designing and implementing specific applications for each new product developed, and integrating them with Interbank's existing information system.

- 1.8 **Selection, rationale, and eligibility of Interbank.** Interbank has been selected because: (i) it is the only bank in Peru that requested IDB support to carry out its microfinance expansion strategy; (ii) the operation meets the MIF criteria for the line of activity because this is a successful commercial bank that can maximize credit additionality in the microenterprise and small business sector; and (iii) Interbank's support will contribute to fulfilling the IDB/MIF strategy to encourage and strengthen financial democracy by promoting commercial bank penetration into microfinance. The project is justified given that it is an attempt to enter the microfinance segment competitively and profitably, while presenting an opportunity to make financial services widely available to the general public in this segment. Project support will ensure the most efficient and effective entry into this new market. The project complies with all eligibility criteria for the second line of activity for strengthening microfinance institutions (ATN/ME-7814-RG).
- 1.9 **Project strategy.** This project is consistent with the IDB's efforts to strengthen the microfinance sector in Peru. The entry of one of Peru's leading banks into this market segment will help create a more competitive environment for the provision of financial services. Over the long term, this strategy is expected to yield more efficient and higher quality services for microentrepreneurs. Given the comparative advantages that commercial banks have over other microfinance institutions in terms of access to financing for building sound microcredit portfolios, the project will also promote the long-term sustainability of these services.
- 1.10 **The IDB's strategy for the sector.** The project is consistent with the sector strategy being pursued by the Bank in Peru, which, *inter alia*, seeks to make the private sector more competitive by helping regulated financial entities become

more actively involved in providing credit to micro, small and medium-sized enterprises.

- 1.11 **Statement of no objection.** Through a letter dated 20 December 2006 from the Peruvian International Cooperation Agency, the Government of Peru has stated its no objection to financing for the project proposed herein.

II. DESCRIPTION

A. Goal and purpose

- 2.1 The goal of the project is to help expand and deepen microfinance services in Peru. The purpose is to foster a downscaling model to promote expanding the supply of competitive financial services to microenterprises and low-income sectors.

B. Components and activities

- 2.2 The project consists of the following components: (i) development of microfinance products and technologies; (ii) strengthening of microcredit management and operational capacity; and (iii) adaptation of information systems for microfinance operations.
- 2.3 **Development of microfinance products and technologies. (MIF US\$49,000; Interbank US\$149,000).** The activities under this component aim to support Interbank in designing and implementing new financial products, tailor-made for the urban microenterprise sector in Peru. Project resources will be used to contract technical assistance services and finance activities to: (i) design and implement four financial products for microenterprises and small businesses,⁶ in addition to the procedures, policies, manuals, and other support material required for their application and operation; (ii) implement and monitor phase one of the project (project roll-out and tests), with the help of specialized technical advisory services funded in full by Interbank, followed by the expansion phase to reach out to the broader public; (iii) market the newly designed products to customers in the microenterprise and small business segment; (iv) develop specific qualitative and quantitative market studies to clearly identify existing business opportunities; and (v) commission an environmental consulting assignment to help Interbank incorporate environmental protection criteria and policies into the products of its Microenterprise and Small Business Division. The outcomes expected for Interbank from these actions at the end of the project's three years include: (i) four new credit products tailored to the needs of its microenterprise and small business clients; (ii) at least 14 stores or agencies are adapted and ready, and actively involved in serving microenterprise and small business clients; (iii) the manuals, policies and procedures for the new microfinance products are formally approved and in effect;

⁶ These products could include, for example, credit for working capital and to purchase fixed assets, or revolving lines of credit, seasonal credit, and credit for supply chains.

and (iv) a microenterprise and small business portfolio of US\$46 million, with more than 43,000 clients.⁷

- 2.4 **Strengthening of microcredit management and operational capacity (MIF US\$73,000; Interbank US\$37,000).** The purpose of this component is to ensure that the execution and expansion of the microcredit program reflects best practices in microfinance, helping the members of the board of managing directors, Interbank management, and officials from the Microenterprise and Small Business Division implement and manage the program. Component activities include: (i) commissioning advisory services to optimize internal processes in the Microenterprise and Small Business Division, to reduce processing times and increase operational efficiency; (ii) facilitating the exchange of Interbank vice presidents, managers, and supervisors with other banking entities in the region that implemented downscaling initiatives, so they may fully understand the depth of the challenges they face and the changes needed; (iii) training courses and opportunities for the microfinance management team and loan officers in areas such as customer service, productivity, risk control, technical and management issues, key aspects of creditworthiness reviews, promotion, and human relations; (iv) training for Interbank managers and directors in best practices for the introduction of microfinance in commercial banking institutions; and (v) specialized technical assistance to advise the Microenterprise and Small Business Division during the expansion period. As a result of these actions, Interbank is expected to attain the following outcomes at the end of the project's three years: (i) management of the Microenterprise and Small Business Division will have an in-depth knowledge of international microcredit techniques, and will be fully integrated with the rest of the organization; (ii) the Microenterprise and Small Business Division staff will be familiar with the downscaling experiences of other entities in the region, and Interbank will have incorporated service to microentrepreneurs into its organizational culture; (iii) capacity of the Microenterprise and Small Business Division management will be comparable to that of the best microfinance entities in the region; and (iv) the Microenterprise and Small Business Division will have a lean and flat organizational structure, and its credit officers will have attained a projected productivity level of 213 clients per officer with more than 1.5 years service in the Division.
- 2.5 **Adaptation of information systems for microfinance operations. (MIF US\$95,000; Interbank US\$176,000).** The purpose of this component is to ensure that the Microenterprise and Small Business Division and other Interbank managers receive reliable, timely information to evaluate and make decisions about the new business. Planned activities include: (i) consulting services to design the changes for incorporating the new products into the information system; (ii) consulting services to program the information system once the new products are incorporated;

⁷ These projections are deemed reasonable because they fall within the range of the downscaling experience of other commercial banks in the region that are similar to Interbank in terms of size, growth rate, network of agencies, etc.

(iii) procuring a server and hardware to ensure the information system operates efficiently, and computers and printers for operations in the Microenterprise and Small Business Division and the microfinance agencies (entirely with Interbank resources); (iv) consulting services to identify and design technological innovations for the Microenterprise and Small Business Division to place, rate, and review loans for microenterprises;⁸ (v) procuring and adapting software to implement the new innovations; and (vi) technical assistance to verify and certify the operation and full integration of the new microenterprise and small business information system with the Interbank system. The expected outcomes include: (i) a fully operational microfinance information system, integrated with Interbank's existing system, to facilitate overall control of the business and generate management reports providing clear, reliable information; (ii) at least 14 agencies offering microfinance products and the Microenterprise and Small Business Division main office are outfitted with the necessary computer equipment and systems; and (iii) at least one technological innovation is in operation to improve service efficiency for microenterprise and small business clients.

III. COST AND FINANCING

- 3.1 The total budget for the project is US\$650,000, of which the MIF will contribute US\$288,000 (44%) in nonreimbursable resources from Window III-A. The remaining US\$362,000 (56%) will be financed with own resources from Interbank. It is estimated that at least 80% of the local counterpart resources will be provided in cash.
- 3.2 Although not indicated in the budget, Interbank will cover all project overhead and logistical expenses and the salaries of the new manager and personnel hired for the Microenterprise and Small Business Division. The local counterpart will also finance the infrastructure investments to adjust its stores and equipment for the new market segment, at an estimated cost of over US\$2 million for the project's three years.

Description	MIF	Interbank	Total	%
Development of microfinance products and technologies	49,000	149,000	198,000	30%
Strengthening of microcredit management and operational capacity	73,000	37,000	110,000	17%
Adaptation of information systems for microfinance operations	95,000	176,000	271,000	42%
Support for execution, evaluation, and auditing	71,000	0	71,000	11%
TOTAL	288,000	362,000	650,000	100%
Contribution (%)	44%	56%	100%	

⁸ These could include lines of credit tied to debit cards, payment and disbursement systems using "point of sale" technologies with portable devices, and credit scoring.

- 3.3 **Additionality.** Although Interbank has the liquidity and resources to venture on its own into microfinance through a downscaling program, MIF support provides the following additionality: (i) the project involves participating in implementing and testing a specific downscaling model that may be replicable in other economic and regulatory environments, and from which important lessons may be drawn about the advantages of its application; (ii) speeding up growth in the use of banking services in the country depends on initiatives of this scale and commitment; (iii) project support will allow Interbank to implement its downscaling strategy in the short term; and (iv) through the MIF, Interbank will have access to know-how and be able to share experiences and learn from similar experiences.

IV. EXECUTING AGENCY AND EXECUTION MECHANISM

- 4.1 The project executing agency, Interbank S.A., is a commercial bank operating exclusively in Peru under the regulations and supervision of the Superintendency of Banks, Insurance Companies, and Pension Plan Administrators (SBS). It was founded in 1897, and its mission is to “improve the quality of life of its customers, providing excellent service at all times and in all places.” Interbank’s purpose is to be “the best people-oriented bank, relying on the best associates.”
- 4.2 **Ownership and management structure.** The principal shareholder of Interbank is IFH Peru Ltd., a holding company established in the Bahamas, holding roughly 95% of the bank’s shares; the remainder is in the hands of various investors. IFH Peru Ltd. is under the control of a principal shareholder, operating through International Financial Holdings, Shetland Securities, and Southern Hill Corporation.
- 4.3 **Financial analysis of Interbank.**⁹ An analysis of Interbank’s situation shows it is well positioned to venture into microfinance. In recent years, Interbank’s financial performance has shown a significant improvement with a clear orientation towards the personal banking segment. The loan portfolio is well managed, targeting profitable businesses with low levels of risk (agreements, credit cards, mortgages), resulting in higher revenues. As of September 2006, gross lending amounted to US\$1.185 billion, an increase of US\$40 million over September 2005, with the personal loans portfolio accounting for 46% of total lending. This placed Interbank in the lead of the consumer credit market with a 20% market share. Moreover, the past-due portfolio has shown a downward trend, falling from 3.94% in September 2005 to 2.49% in September 2006.¹⁰ The net profit amounted to US\$31.1 million, 48% higher than the previous year. This upward trend continues, as evidenced by the higher profitability indicator ratios, showing a 2.17% return on assets and a

⁹ The analysis uses figures as of 30 September 2006.

¹⁰ This trend is due to more rigorous credit approval policies and an enhanced collateral plan, also slowing growth in lending with respect to growth in deposits.

25.12% return on equity, compared to 1.64% and 19.32%, respectively, as of September 2005.

- 4.4 These results are due to a 23% increase in the credit portfolio revenues owing to a greater stock of personal loans.¹¹ Likewise, nonfinancial income increased by 16%, with credit card revenues in the lead, supplemented by well placed automatic teller machines and active sales of non-credit related insurance through the network of stores.¹² Although more personal banking also translated into greater expenses (more sales staff, upgrading and improving computer systems), the efficiency ratio went from 60% in September 2005 to 54% in September 2006. The increased revenues made it possible to accumulate provisions, with the coverage ratio reaching 208%.
- 4.5 Meanwhile, Interbank has implemented an atomized funding structure enhancing its cost distribution, resulting in a stronger equity position. General public deposits and debt are the bank's primary sources of financing (85% of liabilities), up 29% over September 2005. Moreover, external debt continues to drop because the liquidity was applied to the financing of foreign trade operations with local capital market funds at preferential rates (the liquidity ratio¹³ was 54% in dollars and 29% in soles). The increase in capital to US\$187 million (19.5% higher than one year earlier¹⁴) served to reduce overall leverage from 8.17 to 7.85.
- 4.6 Interbank's chief *strengths* as project executing agency lie in its vast network of "financial stores", the professionalism, commitment, and entrepreneurial approach its managers bring to the microfinance business, and its personal banking approach. Its greatest *weakness* is its lack of experience in the microfinance business.
- 4.7 **Responsibility for project execution.** Interbank will be the executing agency and will sign a technical cooperation agreement with the MIF. Management of the Microenterprise and Small Business Division will serve as the project executing unit, reporting to the office of the Vice President for Personal Banking—the area directly responsible for project execution. It will be advised by an international firm of consultants to be hired by Interbank. This Division has the necessary institutional capacity to execute the project.
- 4.8 Interbank will also hire an administrative technical assistant to work full time for the manager of the Microenterprise and Small Business Division coordinating day-to-day project activities, monitoring disbursements, preparing project reports, hiring consultants, organizing seminars and traineeships, and monitoring fulfillment of the

¹¹ Consequently, business loans which offer smaller revenue margins are being substituted by higher yield loans with greater risk diversification.

¹² Approximately 70% of Interbank's total transactions were performed using electronic means.

¹³ These figures, as well as the average for the banking system, are above SBS-mandated thresholds (20% in dollars, and 8% in soles, respectively). The dollar ratio is above the system average (48% as of September 2006), but the figure in soles is below the system average (34%).

¹⁴ Supported by the shareholders' policy to capitalize 50% of profits.

targets. This staffer will also devise a monitoring mechanism to guarantee the quality of the information reported to the IDB.

- 4.9 **Execution and disbursement periods.** The project will be executed in 36 months and disbursed over 39 months. Interbank will need to contract several consulting assignments in the first six months of execution. The IDB will therefore establish a revolving fund with up to 20% of the contribution, to facilitate project execution. Starting with the second disbursement request, contribution resources will be paid out subject to compliance with the previously agreed triggers set forth in the disbursement schedule, to be prepared as part of the annual work plan Interbank will present to the Bank.
- 4.10 **Procurement.** Goods and services for the project will be selected and procured in accordance with the IDB's policies for the private sector, stipulated in Appendix 4 to documents GN-2349-7 and GN-2350-7. Interbank will present a procurement plan indicating the categories, selection methods, and quantity of goods and services to be procured. The Bank will review the procurement plan once a year during project execution. It may also conduct an ex post review of items indicated in the plan.

V. MONITORING AND EVALUATION

- 5.1 **Reports.** Interbank will prepare and deliver to the Bank: (i) a project progress report within 30 days after the end of each six-month period; (ii) within 30 days prior to the beginning of each year of project execution, an annual work plan for the subsequent 12-month period, with semiannual targets based on the performance indicators; and (iii) a final report within 30 days after the last disbursement. These reports, to be prepared using a format previously agreed on with the Bank, will cover project activities and financial considerations, as well as outcomes measured against the indicators and benchmarks set forth in the logical framework (Annex I). Progress reports will consist of: (i) information on progress made towards achieving project objectives; (ii) a description of the technical assistance and training received, and the quality and results thereof; (iii) a summary of budget performance and Interbank's counterpart contributions; (iv) statistical and financial data on the position and movement of the performance indicators (compared to its peers) and on the fulfillment of annual targets set with regard to the logical framework indicators; and (v) information on Interbank's financial position.¹⁵ The conclusions and results of the consultant hired to advise on the environment will be presented, at the latest, in the third progress report.

¹⁵ The progress report will include information on: (i) the design and incorporation of microfinance products at the stores; (ii) capacity-strengthening for managers and credit officers; (iii) exchanges and seminars for directors and staff; (iv) adaptation of information systems (hardware and software) for microfinance operations; and (vi) key financial indicators for the Microenterprise and Small Business Division.

- 5.2 The IDB's Country Office in Peru will assume basic responsibility for monitoring the project within the Bank, using the aforementioned reports to verify progress and prepare a project completion report three months after the last disbursement.
- 5.3 Interbank will deliver audited financial statements to the Bank no later than 90 days after the end of each fiscal year. It will take steps to ensure that this project is implemented in conformity with the performance indicators established in the logical framework and the corresponding annexes. The IDB may suspend disbursements in the case of significant negative deviations from the indicators, particularly the following: (i) the number of active MES¹⁶ microfinance clients; (ii) the MES portfolio; and (iii) the total MES portfolio-at-risk (more than 30 days). If these indicators are found to have deteriorated significantly, Interbank will have 30 days to reach an agreement with the Bank on the measures needed to improve its performance. At the end of this period, if the situation has not improved to the Bank's satisfaction, it may suspend or cancel future disbursements.
- 5.4 **Evaluation.** Using MIF resources, the Country Office in Peru will hire an independent consultant to perform a midterm evaluation of the project 18 months after the first disbursement, or once the Bank has disbursed 50% of its contribution, whichever occurs first. Resources will also be allocated in the project budget to commission a final evaluation once 95% of the MIF contribution has been disbursed.

VI. BENEFITS AND RISKS

- 6.1 **Benefits.** The project will directly benefit urban microenterprises and small businesses in Peru, which will have improved access to a steady supply of credit for working capital, fixed assets, or other purposes, as well as savings services, as a result of Interbank's entry into the microfinance market. The project will allow Interbank to provide credit services that incorporate technological innovations, while leveraging the strength of its infrastructure. By providing an alternative source of financing for microenterprise and small business, Interbank will pressure other microcredit providers to offer more competitive services, resulting in higher quality services and lower rates for end recipients over the medium term.
- 6.2 **Risks.** The principal risks are of a commercial and operational nature. **Commercial risk:** There is a risk that the growth of the network of financial stores will not keep up with or reflect the intention of reaching the microenterprise and small business segment. To mitigate this risk, Interbank's management is committed to concentrating internal efforts on prioritizing store openings in geographic areas with a predominance of microenterprises and small businesses. **Operational risk:** There is the risk of debt-overload among urban microfinance customers triggered by an environment of aggressive competition, resulting in high arrearage rates for the

¹⁶ MES is the term used by Peru's Superintendency of Banks (SBS) to designate microenterprise credit, defined as credit for clients whose total debt with the financial system does not exceed US\$30,000.

microfinance entities. The Interbank Microenterprise and Small Business Division will mitigate this risk by systematically checking loan applications with credit reporting centers in the financial system and enforcing strict credit evaluation and portfolio monitoring policies.

VII. SOCIAL AND ENVIRONMENTAL CONSIDERATIONS

- 7.1 Project activities will have no direct relation to the microcredit clients or the environment. Nevertheless, project funds have been allocated to hire a consultant who specializes in environmental issues to assist Interbank in developing a policy for incorporating environmental protection criteria into its operations, within the framework of the “Guidelines for analyzing the environmental and social impact of IDB microenterprise operations” (SDS/MSM 2003).

**EXPANDING MICROFINANCE SERVICES: INSTITUTIONAL STRENGTHENING OF BANCO INTERNACIONAL, S.A. (INTERBANK)
(PE-M1037)**

LOGICAL FRAMEWORK

Narrative summary	Indicators	Means of verification	Assumptions
Goal	Impact		
To help expand and deepen microfinance services in Peru.	<p>Three years after project completion:</p> <p>Unmet demand for financial services drops by at least 15 percentage points.</p>	<ul style="list-style-type: none"> Statistics of the Superintendency of Banks, Insurance Companies, and Pension Plan Administrators (SBS) Census and surveys of the National Statistics and Informatics Institute (INEI) 	<ul style="list-style-type: none"> Political and economic stability are conducive to both sustained microentrepreneurial activity and an enabling environment for financial and credit activity. No State intervention to distort the financial market
Purpose	Outcomes		
To promote a successful downscaling model for Interbank to offer competitive financial services for microenterprises and low-income sectors.	<p>Upon project completion, the following will be verified:</p> <p>Interbank has a gross microcredit portfolio of US\$46 million distributed among at least 43,000 active clients, with a portfolio-at-risk below 6.5%.</p> <p>Average number of clients / credit officer (with > 1.5 years service): ≥ 200 clients / officer.</p>	<ul style="list-style-type: none"> Baseline Portfolio reports SBS reports Interbank management information system (MIS) Semiannual progress reports and the final report of the executing agency Reports prepared by the financial/accounting and technical missions Midterm and final evaluations Interbank financial statements Project performance monitoring report (PPMR) Project completion report (PCR) 	<ul style="list-style-type: none"> Demand for microcredit products continues to grow at a steady pace. The microenterprise and small business portfolio in the system remains healthy. Microenterprises accept the products offered by Interbank.

Narrative summary	Indicators	Means of verification	Assumptions
Components			
1. Development of microfinance products and technologies	<p>By the end of the project's first year:</p> <ul style="list-style-type: none"> ▪ Two credit products are offered by at least four agencies. ▪ The manuals, policies and procedures for the new microfinance products have been formally approved and are in effect. <p>By the end of the project's second year:</p> <ul style="list-style-type: none"> ▪ Three credit products are offered by at least eight agencies. ▪ The manuals, policies and procedures for the new microfinance products have been formally approved and are in effect. <p>Upon project completion:</p> <ul style="list-style-type: none"> ▪ Four credit products are offered by at least 14 agencies. ▪ The manuals, policies and procedures for the new microfinance products have been formally approved and are in effect. 	<ul style="list-style-type: none"> ▪ Progress reports and the final report of the executing agency ▪ Midterm and final evaluations ▪ Reports prepared by the financial/accounting and technical missions ▪ PPMR ▪ Interbank management information system ▪ Portfolio reports ▪ Interbank financial statements ▪ Manuals on procedures, policies and regulations ▪ Consultant reports ▪ PCR 	<ul style="list-style-type: none"> ▪ Pilot plan outcomes for the first agency meet Interbank management's expectations. ▪ There is demand for the new products among microenterprises and small businesses.

Narrative summary	Indicators	Means of verification	Assumptions
<p>2. Strengthening of microcredit management and operational capacity</p>	<p>By the end of the project's first year:</p> <ul style="list-style-type: none"> Management of the Microenterprise and Small Business Division is very knowledgeable about international microlending techniques. The Microenterprise and Small Business Division is integrated with the rest of the organization. Microenterprise and Small Business Division staff are familiar with the downscaling experiences of other entities in the region. Serving microentrepreneurs is integrated into the organizational culture. <p>Upon project completion:</p> <ul style="list-style-type: none"> The capacity of managers in the Microenterprise and Small Business Division is comparable to that of the best microfinance entities in the region. Credit officers are productive and motivated. The Microenterprise and Small Business Division has a lean and flat organizational structure. 	<ul style="list-style-type: none"> Mission report prepared by staff who participated in technical exchanges Interbank organizational chart Annual reports Training course evaluations Meetings with top management and the sales force Progress reports and the final report of the executing agency Reports prepared by the financial/accounting and technical missions Midterm and final evaluations PPMR PCR 	<ul style="list-style-type: none"> Interbank management remains committed to serving the microenterprise and small business sector. Officials at entities focusing on microfinance are willing to share their experience with Interbank officials. Interbank is able to retain its trained staff (low turnover). The trained personnel apply their new knowledge correctly.
<p>3. Adaptation of information systems for microfinance operations</p>	<p>By the end of the project's first year:</p> <ul style="list-style-type: none"> The diagnostic assessment and technical specifications for adapting the information system for microfinance operations are complete. The MIS module for microcredit operations has been activated and is fully integrated with the Interbank system. 	<ul style="list-style-type: none"> Progress reports and the final report of the executing agency Demonstration of the system in operation Sampling of MIS reports and lists. Midterm and final evaluations 	<ul style="list-style-type: none"> The technology and systems area is willing and has the resources to comply with the Microenterprise and Small Business Division requirements in a timely manner.

Narrative summary	Indicators	Means of verification	Assumptions
	<p>Upon project completion:</p> <ul style="list-style-type: none"> Information system modules for the new products introduced during project execution were released and are operational. Interbank agencies are outfitted with the necessary hardware and software to carry out microfinance operations. At least one technological innovation is in operation to improve the efficiency of services for microenterprise and small business clients. 	<ul style="list-style-type: none"> Reports prepared by the financial/accounting and technical missions PPMR PCR 	
Activities	Inputs/resources		
Component I: Development of microfinance products and technologies (MIF: US\$49,000; Interbank: US\$149,000)			
<p>Strategic advice and technical assistance in microfinance</p> <p>Develop credit policies and technologies</p> <p>Develop specialized microcredit products</p> <p>Implement technologies and products: train supervisors and credit officers</p> <p>Identify suitable areas to launch products, and required product attributes</p> <p>Product promotion and marketing</p> <p>Develop an environmental policy for extending microcredit</p>	<p>In the first six months of project execution:</p> <ul style="list-style-type: none"> Sufficient staff have been hired for the new management of the Microenterprise and Small Business Division Human resources manuals describing the policies, procedures and incentives-based compensation system are approved. Operational processes for extending and recovering credit are defined. <p>By the end of the project's first year:</p> <ul style="list-style-type: none"> Two products have been designed and implemented, with their respective policies and manuals. Four stores offer products for microenterprises and small businesses. At least one market study is completed. Marketing materials are designed and distributed. 	<ul style="list-style-type: none"> Progress reports and the final report of the executing agency Midterm and final evaluations Reports prepared by the financial/accounting and technical missions PPMR Interbank management information system Portfolio reports Interbank financial statements Manuals on procedures, policies and regulations Consultant reports PCR 	<p>Peru's credit culture does not deteriorate.</p> <p>There is continued demand for microcredit products.</p>

Narrative summary	Indicators	Means of verification	Assumptions
	<p>By the end of the project's second year:</p> <ul style="list-style-type: none"> Three products are designed and implemented. Eight stores offer products for microenterprises and small businesses. Two market studies are completed. A policy for mitigating environmental impacts and environmental health risks is approved. <p>By the end of the project's third year:</p> <ul style="list-style-type: none"> Four products are designed and implemented. Fourteen stores offer products for microenterprises and small businesses. Three market studies are completed or acquired (sector market studies). 		
Component II: Strengthening of microcredit management and operational capacity (MIF: US\$73,000; Interbank: US\$37,000)			
<p>Consulting services to optimize processes</p> <p>Visits by vice presidents, managers and supervisors to other downscaling initiatives</p> <p>Training for Microenterprise and Small Business Division management staff through technical and management courses and workshops</p>	<p>By the end of the project's first year:</p> <ul style="list-style-type: none"> The recommendations in the report by the process-optimization consultant are implemented. The policy and manual for the credit officer training program are developed and approved. At least three Interbank management staffers have learned from other successful downscaling experiences. Members of the microenterprise and small business management team attended at least three training events. 	<ul style="list-style-type: none"> Mission report prepared by staff who participated in technical exchanges Interbank organizational chart Annual reports Training course evaluations Meetings with management and the sales force Progress reports and the final report of the executing agency 	<p>Interbank ensures its management team is given the necessary time for training.</p> <p>The training program is effective and realistic based on Interbank's institutional reality, and its operational and technical capacity.</p>

Narrative summary	Indicators	Means of verification	Assumptions
<p>Training for credit officers in key topics relating to credit analysis, promotion, and human relations, inter alia</p> <p>Training and awareness-raising for Interbank managers and directors in microfinance and downscaling know-how (including issues relating to organizational culture and strategic alignment)</p>	<ul style="list-style-type: none"> ▪ Two training programs for credit officers are implemented.¹ ▪ One informational and motivational workshop on the new microcredit services held for key Interbank officials. ▪ Three directors, vice presidents, or managers were trained in and made aware of issues relating to the microcredit philosophy / techniques. <p>By the end of the project's second year:</p> <ul style="list-style-type: none"> ▪ At least three more Interbank officials know about other successful downscaling experiences. ▪ Members of the microenterprise and small business management team attended at least two additional training events. ▪ Two training programs for credit officers are implemented during this year. <p>By the end of the project's third year:</p> <ul style="list-style-type: none"> ▪ Members of the microenterprise and small business management team attended at least two additional training events. ▪ Two training programs for credit officers are implemented during this year. 	<ul style="list-style-type: none"> ▪ Reports prepared by the financial/accounting and technical missions ▪ Midterm and final evaluations ▪ PPMR ▪ PCR 	

¹ The same content may be used for more than one class of credit officers.

Narrative summary	Indicators	Means of verification	Assumptions
Component III: Adaptation of information systems for microfinance operations (MIF: US\$95,000; Interbank: US\$176,000)			
Design the system required for the new products	<p>By the end of the project's first year:</p> <ul style="list-style-type: none"> Systems are designed for three products. Systems are programmed for two products. The server and main hardware are installed and operational at the Microenterprise and Small Business Center. Hardware and software licenses are acquired and installed at the Microenterprise and Small Business Center and the financial stores. The microenterprise and small business system is certified. <p>By the end of the project's second year:</p> <ul style="list-style-type: none"> Systems are designed for four products. Systems are programmed for three products. At least one technological innovation is identified. <p>By the end of the project's third year:</p> <ul style="list-style-type: none"> Systems are designed for four products. Systems are programmed for four products. At least one technological innovation is identified. 	<ul style="list-style-type: none"> Progress reports and the final report of the executing agency Demonstration of the system in operation Sampling of MIS reports and lists Midterm and final evaluations Reports prepared by the financial/accounting and technical missions PPMR PCR 	The technology and systems area is willing and has the resources to comply with Microenterprise and Small Business Division requirements in a timely manner.
Program the system for the new products			
Procure the server and main hardware for the Microenterprise and Small Business Center and for microfinance operations			
Procure computer equipment for the Microenterprise and Small Business management team and microfinance officials at the financial stores			
Identify one microfinance technological innovation, and procure and adapt software for its implementation			
Certify and test operation of the microfinance system with the Interbank system			

**EXPANDING MICROFINANCE SERVICES: INSTITUTIONAL STRENGTHENING OF BANCO INTERNACIONAL, S.A. (INTERBANK)
(PE-M1037)**

QUANTITATIVE PERFORMANCE INDICATORS

Quantitative indicators	Benchmark	Historical data	Projections – Microenterprise and Small Business Division, Interbank					
		Interbank	Year 1		Year 2		Year 3	
	MiBanco <u>1/</u>	Baseline 2006 <u>2/</u>	Acceptable benchmark	Target	Acceptable benchmark	Target	Acceptable benchmark	Target
Microcredit indicators								
Number of active MES clients *	154,541	1,233	7,342	9,503	25,143	40.50	43,305	70,138
Gross MES portfolio (US\$ million)*	207	2.98	6.8	8.4	25.9	37.34	46.3	67.82
MES portfolio-at-risk (> 30 days)*	2.04%	2.49% <u>3/</u>	5.00%	4.00%	6.00%	5.00%	6.50%	5.50%
Client/Credit officer (> 1.5 years service), end of period	215	N/A	N/A	N/A	192	203	213	238
Operational efficiency <u>4/</u>	18.06%	N/A	56.4%	51.2%	31.4%	28.8%	23.6%	20.4%
Provision established / Past-due MES portfolio	149%	208%	> 100%	> 100%	> 100%	> 100%	>100%	> 100%
Return on equity (ROE) (Microenterprise and Small Business Division)	34.4%	N/A	< 0%	< 0%	< 0%	< 0%	4.8%	20%

1/ As of 31.12.05.

2/ As of September 2006 – Interbank.

3/ Arrearage >30 days. The Interbank total portfolio indicator is used as the baseline, given that data are not yet available for the Microenterprise and Small Business Division. Indicator targets were set based on the August 2006 MES portfolio arrearages for the primary microfinance entities (Municipal Banks) amounting to 6.9%. Arrearages for all financial entities in the system is 6.33%. Given that arrearages could increase in the near future due to aggressive competition in the sector, a projection of 6.5% by year three of the project is reasonable.

4/ Operating costs / Average net portfolio (Interbank Microenterprise and Small Business Division).

N/A: Not available.

* Shaded rows represent “key” or contractual indicators that could affect disbursements under this operation.

**EXPANDING MICROFINANCE SERVICES: INSTITUTIONAL STRENGTHENING OF BANCO
INTERNACIONAL, S.A. (INTERBANK)
(PE-M1037)**

QUALITATIVE PERFORMANCE INDICATORS

Indicator	Status at the start of the project	Status at the end of the project
Development of microfinance products and technologies	<ul style="list-style-type: none"> No suitable loan products to meet the needs of microenterprise and small business customers Existing stores are neither adapted nor prepared to serve microenterprise and small business customers Interbank does not yet have manuals, policies and procedures to implement the new credit products for microenterprises and small businesses 	<ul style="list-style-type: none"> There are at least four new loan products, suitable for and adapted to the needs of microenterprise and small business customers At least 14 stores or agencies are adapted and prepared, and actively serving microenterprise and small business customers The manuals, policies and procedures for the new microfinance products, are formally approved and in effect
Strengthening of microcredit management and operational capacity	<ul style="list-style-type: none"> Interbank lacks practical knowledge about microcredit technology and international best practices The Microenterprise and Small Business Division is incipient and not fully integrated with the rest of the organization The Microenterprise and Small Business Division has not yet been sufficiently exposed to other downscaling experiences in the region Serving microentrepreneurial customers is not part of Interbank's experience or organizational culture Credit officers are not yet qualified to serve microenterprise and small business customers 	<ul style="list-style-type: none"> Management of the Microenterprise and Small Business Division is very knowledgeable about international microcredit techniques The Microenterprise and Small Business Division is integrated with the rest of the organization Microenterprise and Small Business Division staff are familiar with the downscaling experiences of other entities in the region, and with microfinance best practices Serving microentrepreneurs has been incorporated in the organizational culture Capacity of the Microenterprise and Small Business Division management is comparable to that of the best microfinance entities in the region The Microenterprise and Small Business Division has a lean and flat organizational structure Credit officers are productive and motivated
Adaptation of information systems for microfinance operations	<ul style="list-style-type: none"> The Interbank information system is not presently adapted to the specific needs of microfinance operations The management information system does not have a microcredit module The information system modules for future Interbank microenterprise and small business credit products are not yet operational Interbank stores or agencies lack the equipment and programs needed to properly handle microfinance activities 	<ul style="list-style-type: none"> The diagnostic assessment and technical specifications to adapt the information system for microfinance operations are finalized The management information system module for microcredit operations has been activated Information system modules for the new products introduced during project execution were released and are operational Interbank agencies are outfitted with the necessary hardware and software to carry out microfinance operations

ITEMIZED BUDGET - PE-M1037

14-Nov-06

COMPONENTS/Activities	Unit	Qty.	Unit amt.	MIF	Interbank counterpart	TOTAL
1. Development of microfinance products and technologies						
1.1 Consulting services to design and implement two new products, manuals, etc.	Consulting services	1	30,000	30,000	-	30,000
1.2 Long-term technical assistance (pilot phase) (includes two products)	Consulting services	1	110,000		110,000	110,000
1.3 Marketing of products (materials and implementation)	Global	3	10,000	15,000	15,000	30,000
1.4 Marketing studies (quantitative and qualitative)	Consulting services	2	12,000	-	24,000	24,000
1.5 Environmental consulting services	Consulting services	1	4,000	4,000	-	4,000
Subtotal Component 1				49,000	149,000	198,000
2. Strengthening of microcredit management and operational capacity						
2.1 Consulting services to optimize processes	Consulting services	1	20,000	20,000	-	20,000
2.2 Exchange of VPs, managers and supervisors with other downscaling initiatives	Global	12	2,000	12,000	12,000	24,000
2.3 Training for the microfinance management team (courses, workshops)	Courses	10	2,000	20,000	-	20,000
2.4 Training for credit officers (guest speakers)	Courses	6	2,000	12,000	-	12,000
2.5 Training of managers and directors in downscaling and microfinance (visits by experts to exchange experiences with Interbank)	Exhibits	3	3,000	9,000	-	9,000
2.6 Long-term technical assistance (advice during expansion phase)	Consulting services	1	25,000	-	25,000	25,000
Subtotal Component 2				73,000	37,000	110,000
3. Adaptation of information systems for microfinance operations						
3.1 Consulting services to design the new products system	Consulting services	1	25,000	-	25,000	25,000
3.2 Consulting services to program the new products system	Consulting services	2	50,000	50,000	50,000	100,000
3.3 Procurement of server and hardware for the microenterp. and small business prog.	Equipment	2	5,000	-	10,000	10,000
3.4 Procurement of computers and printers for the microfinance offices	Equipment	30	1,200	-	36,000	36,000
3.5 Consulting services in technological innovation	Consulting services	1	20,000	20,000	-	20,000
3.6 Procurement and adaptation of innovation software	Global	1	75,000	25,000	50,000	75,000
3.7 Certification (Test operations between microenterprise MIS and Interbank MIS)	Certification	2	2,500	-	5,000	5,000
Subtotal Component 3				95,000	176,000	271,000
4. Support for execution, evaluation and auditing						
4.1 Administrative technical assistant for the project	Consultant-months	36	1,500	54,000	-	54,000
4.2 Midterm and final evaluations	Consulting services	2	6,000	12,000	-	12,000
4.3 Final audit	Consulting services	1	5,000	5,000	-	5,000
Subtotal Component 4				71,000	-	71,000
TOTAL				288,000	362,000	650,000
Contributions %				44%	56%	100%

PROJECTS IN PERU

EXPANDING MICROFINANCE SERVICES: INSTITUTIONAL STRENGTHENING OF BANCO INTERNACIONAL, S.A. (INTERBANK) (PE-M1037)

A. MIF PROJECTS UNDER THE LINE OF ACTIVITY FOR STRENGTHENING MICROFINANCE INSTITUTIONS

Project number / date of approval	Project name, sector, executing agency and amount	Date of signing and original disbursement period in months	Percentage disbursed	Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulation, change in executing agency, etc.
<u>ATN/ME-6520-PE</u> 25 May 1999	Institutional strengthening of EDPYME Crear Tacna S.A. US\$200,000	25 June 1999 37 months	100%	Project completed with satisfactory execution, having attained the development objectives
<u>ATN/ME-6635-PE</u> 1 September 1999	Strengthening of Credit Unions Ministry of Economy and Finance US\$1 million	Project canceled in its entirety		
<u>ATN/ME-6636-PE</u> 1 September 1999	Strengthening of rural and municipal savings and loan institutions Ministry of Economy and Finance US\$1.5 million	27 December 1999 43 months	42%	Project canceled at the request of the executing agency (COFIDE) owing to changes in its priorities for the sector
<u>ATN/ME-691</u> 17 March 2000	Institutional strengthening of Proempresa Proempresa US\$290,000	26 April 2000 24 months	100%	Project completed with satisfactory execution, having attained the development objectives
<u>ATN/ME-7534-PE</u> 1 August 2001	Institutional Strengthening of Confianza US\$190,000	10 September 2001 37 months	100%	Favorable development outlook (outputs and outcomes). Extended for 15 months.
<u>ATN/ME-7465-PE</u> 8 June 2001	Institutional Strengthening of Crear Arequipa CREAR Arequipa S.A	22 August 2001 37 months	100%	Project completed with satisfactory execution, having attained the development objectives
<u>ATN/ME-9486-PE</u> 2 November 2005	Support for Microfinance at Credit Unions Outside Lima Federación Nacional de Cooperativas de Ahorro y Crédito del Perú (FENACREP) US\$423,000	1 June 2006 36 months	0%	Currently working to fulfill the conditions precedent

**PROCUREMENT PLAN
PE-M1037**

Ref. No.	Description of contract and estimated cost of procurement	Procurement method ¹	Review (prior or post)	Source of financing and percentage		Prequalifica- tion (Yes/No)	Estimated dates		Status (pending, in process, awarded, canceled)	Comments
				IDB %	Local/other %		Publication of specific procurement notice	Completion of contract		
	Goods and services									
	1. Product marketing materials US\$30,000	SH	Ex post	50%	50%	No	No	3 months		
	2. Innovation software US\$75,000	SH	Ex ante	33.33%	66.67%	No	No	6 months		

¹ **ICB:** International competitive bidding; **LIB:** Limited international bidding; **NCB:** National competitive bidding; **SH:** Shopping; **DC:** Direct contracting; **FA:** Force account; **PSA:** Procurement through specialized agencies; **PBP:** Performance-based procurement; **QCBS:** Quality- and cost-based selection; **QBS:** Quality-based selection; **FBS:** Selection under a fixed budget; **LCS** Least-cost selection; **CQS:** Selection based on the consultants' qualifications; **SSS:** Single-source selection; **IC:** Individual consultant.

Ref. No.	Description of contract and estimated cost of procurement	Procurement method ¹	Review (prior or post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates		Status (pending, in process, awarded, canceled)	Comments
				IDB %	Local/other %		Publication of specific procurement notice	Completion of contract		
	Consulting assignments									
	1. Design and implementation of two new products US\$30,000	QCBS	Ex ante	100%	0%	No	No	8 months		
	2. Two market studies US\$24,000	DC	Ex ante	50%	50%	No	No	5 months		
	3. Environmental consulting services US\$4,000	IC	Ex post	100%	0%	No	No	1 month		
	4. Process optimization US\$20,000	QCBS	Ex post	100%	0%	No	No	4 months		
	5. Programming new products system US\$100,000	QCBS	Ex ante	50%	50%	No	No	10 months		
	6. Technological innovation US\$20,000	IC	Ex ante	100%	0%	No	No	3 months		
	7. Administrative technical assistant for the project (36 months) US\$54,000	IC	Ex ante	100%	0%	No	No	36 months		
	8. Midterm evaluation US\$6,000	IC	Commissioned by the Bank	100%	0%	No	No	1.5 months		
	9. Final evaluation US\$6,00	CQS		100%	0%	No	No	1.5 months		

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/06

Perú. Nonreimbursable Technical Cooperation ATN/ME-____-PE
Expanding microfinance services: Institutional strengthening of
Banco Internacional, S.A. (INTERBANK)

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Banco Internacional S.A. (INTERBANK), and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-___ with respect to technical cooperation for expanding microfinance services: institutional strengthening of Banco Internacional, S.A. (INTERBANK).
2. That up to the amount of US\$288,000 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to technical cooperation resources of the Small Enterprise Development Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

LEGIII/PE-862326-06
PE-M1037