

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PERU

FINANCING PROGRAM FOR WOMEN ENTREPRENEURS IN PERU

(PE-L1272)

LOAN PROPOSAL

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ABBREVIATIONS

BCRP	Central Reserve Bank of Peru
CMAC	Cajas Municipales de Ahorro y Crédito [municipal savings and loan associations]
COOPAC	Cooperativas de Ahorro y Crédito [credit unions]
CRAC	Cajas Rurales de Ahorro y Crédito [rural savings and loan associations]
FONAFE	Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado [National Fund to Finance Government Business Activity]
GDP	Gross domestic product
IFC	International Finance Corporation
IMF	International Monetary Fund
INEI	Instituto Nacional de Estadística e Informática [National Institute of Statistics and Computing]
MEF	Ministry of Economy and Finance
MIMP	Ministry for Women and Vulnerable Populations
MSMEs	Micro, small, and medium-sized enterprises
OECD	Organisation for Economic Co-operation and Development
PRODUCE	Ministry of Production
PRONAME	Programa Nacional de Mujer Emprendedora [National Program for Women Entrepreneurs]
SBS	Superintendencia de Banca, Seguros y AFP [Superintendency of Banking, Insurance, and Private Pension Fund Administrators]
SDGs	Sustainable Development Goals
SME	Small and medium-sized enterprises
SOFR	Secured Overnight Financing Rate
TFP	Total factor productivity
UIT	Unidad impositiva tributaria [tax units]

PROJECT SUMMARY
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Financial Terms and Conditions				
Borrower: Republic of Peru			Flexible Financing Facility ^(a)	
Executing agency: Corporación Financiera de Desarrollo S.A. (COFIDE)			Amortization period:	24.5 years
Loan modality: Global credit loan			Disbursement period:	5 years
			Grace period:	6 years ^(b)
Source	Amount (US\$)	%	Interest rate:	SOFR-based
			Credit fee:	(c)
IDB (Ordinary Capital):	100,000,000	100	Inspection and supervision fee:	(c)
Total:	100,000,000	100	Weighted average life:	15.25 years
			Approval currency:	United States dollar
Project at a Glance				
Project objective/description: The general development objective is to foster inclusive income growth in Peru. The specific development objective is to support increased financing for productive investment by micro, small, and medium-sized enterprises (MSMEs), with a special emphasis on women-led ones.				
Special contractual conditions precedent to the first disbursement of the financing: As special contractual conditions precedent to the first disbursement of the financing: (i) the Operating Regulations for the program will have been approved by the executing agency and will have entered into force, in accordance with the terms and conditions previously agreed upon with the Bank, and will include socioenvironmental issues based on the Environmental and Social Review Summary ; and (ii) the borrower and the executing agency will have signed a subsidiary agreement for execution of the program activities, and this agreement will have entered into effect, in accordance with the terms previously agreed upon with the Bank (paragraph 3.4).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges: ^(d)	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
Crosscutting themes: ^(e)	GE <input checked="" type="checkbox"/> and DI <input type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input type="checkbox"/>	IC <input type="checkbox"/>
Sustainable Development Goals (SDGs): ^(f)	SDG1 <input type="checkbox"/> SDG2 <input type="checkbox"/> SDG3 <input type="checkbox"/> SDG4 <input type="checkbox"/> SDG5 <input checked="" type="checkbox"/> SDG6 <input type="checkbox"/> SDG7 <input type="checkbox"/>			
	SDG8 <input checked="" type="checkbox"/> SDG9 <input type="checkbox"/> SDG10 <input type="checkbox"/> SDG11 <input type="checkbox"/> ODS12 <input type="checkbox"/> SDG13 <input checked="" type="checkbox"/> SDG14 <input type="checkbox"/>			
	SDG15 <input type="checkbox"/> SDG16 <input type="checkbox"/> SDG17 <input checked="" type="checkbox"/>			

(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

(f) Sustainable Development Goals (SDGs).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Economic situation.** In 2021, the Peruvian economy grew 13.3% and surpassed its pre-pandemic level by 0.9%, due to the favorable external context, easing of the health restrictions, progress on the COVID-19 vaccination process, and the statistical effect of the drop in 2020 (-11.0%). This recovery was uneven, with contact-intensive consumer sectors lagging the furthest behind. According to Peru's Central Reserve Bank (BCRP), the country will grow 3.4% in 2022 and 3.2% in 2023. However, social indicators have still not returned to their pre-pandemic levels. In 2021, 5.7% of the country's economically active population was unemployed (2019: 3.9%), and 25.9% of the population was living in monetary poverty (2019: 20.2%). In May 2022, the BCRP raised the reference rate to 5.0%, the highest since April 2009, since year-on-year inflation (April 2022: 8.0%) and 12-month inflation expectations (April 2022: 4.6%) remain over the target range (1.0%-3.0%) for the eleventh and tenth consecutive months, respectively. The BCRP predicts that inflation will return to the target range between the second and third quarter of 2023.
- 1.2 **Productivity and business development.** The productivity of the Peruvian economy, measured as total factor productivity (TFP), proved to positively contribute to economic growth in the country's most significant period of economic and social growth (2001-2011). Subsequently, from 2011 to 2016, Peru faced a negative shock caused by volatility in commodity prices, which stalled investment projects. In 2017, growth in Peru's gross domestic product (GDP) dropped to its lowest rate (3.5%) since the start of the new millennium. Both the Ministry of Economy and Finance (MEF) and the International Monetary Fund (IMF) associated this behavior with the lower capital accumulation and lower TFP growth resulting from both external and domestic factors, as follows.¹
- 1.3 The external factors include the lower prices of the export basket, such as of the main minerals (gold, copper, and byproducts), which in turn lead to delays in the execution of investment projects in mining and other sectors, and/or the complete cessation thereof. These terms of trade can cause up to a 25% drop in TFP, with severe effects on long-term growth (Castillo and Rojas, 2014). Since Peru's productive matrix is barely diversified compared with its competition in foreign markets, and most of its exports are traditional products (Peru is ranked 89 of 127 on the economic complexity index, below Brazil, Colombia, Chile, and Costa Rica),² it remains vulnerable to these effects.
- 1.4 The domestic factors are the structural barriers and market failures that hamper the proper allocation of capital and work to activities and sectors in which they would be more productively used. Céspedes, Lavado, and Ramirez-Rondán (2016) and Loayza (2016) cite the role of human capital, followed by public infrastructure and trade liberalization, as determinants of productivity in the country. Macroconsult (2021) states that the main factors affecting Peru's TFP are the economically active population's lack of skills, the poor functioning of

¹ [Supreme Decree 345-2018](#). MEF.

² [Observatory of Economic Complexity](#).

institutions and regulations, and insufficient public- and private-sector investment in research, innovation, and development.³

- 1.5 One of the primary causes of the differences in TFP between developing countries (like Peru) and other more advanced economies is the inefficient use of existing resources (Restuccia and Rogerson, 2013). Given that a country's TFP depends on the individual productivity of each of its companies, weighted by their share in the economy (IMF, 2017), it is important to note that the Peruvian business fabric has a high concentration of small-scale enterprises with low productivity levels, and few medium-size companies. According to information from the Ministry of Production (PRODUCE), 96% of Peru's companies are microenterprises, 3.4% are small enterprises, 0.1% are medium-sized, and 0.4% are large.⁴
- 1.6 Céspedes and others (2014) found that during the 2002-2011 period, the TFP of companies with 1 to 10 employees⁵ was an average of 20% lower than the TFP of companies with 50 or more workers. This would appear to be one of the main causes of the productivity paralysis in countries like Peru. And it aligns with the labor market structure: according to the 2020 national survey of households, 70% of the working population is employed by microenterprises, almost 12 times more than the percentage employed by medium-size enterprises (6%) (Peruvian Institute of Economics, 2021).
- 1.7 **Impact of COVID-19 on productivity.** The effects of COVID-19 on the determinants of long-term growth are varied inasmuch as the pandemic exacerbated the country's existing structural and market failures, which were already affecting the economy and the population's well-being. Formal employment of the workforce has been recovering progressively since July 2020 (May 2020: -8,5%, October 2021: 2,2%). Education was also affected by school and higher education center closings. The true effects of online education, and above all of basic education, cannot be definitively evaluated until the children and young people who lived through this period enter the labor market. That said, the IMF has found that other pandemics reduced primary and secondary school completion rates, especially for girls.⁶
- 1.8 The pandemic's effect on investment in physical capital is still at an intermediate level (BCRP, 2021).⁷ Gross fixed investment as a percentage of GDP fell 1.4% between 2019 and 2020, more than in the 2008-2009 crisis (after which it went back up in three years). The BCRP has forecasted that investment will recover and surpass pre-pandemic levels around 2022. In terms of TFP, the BCRP mentioned that is still too early to anticipate which factors will be structurally altered, since the crisis is still developing and its effects will linger for several years.
- 1.9 **Economic recovery plans.** The MEF initiated the following economic recovery actions, in implementation since 2021, after the country exited the state of emergency: (i) promotion of public investment; (ii) demand recovery and support

³ [Hacia una nueva ruta de reactivación de la productividad en el Perú](#). Macroconsult.

⁴ PRODUCE, 2019.

⁵ This is close to the international definition of microenterprise.

⁶ Fabrizio, S. et al. 2021. Epidemics, gender, and human capital in developing countries. IMF Working Paper.

⁷ [Efectos de largo plazo del COVID-19 en Perú](#). BCRP.

for family finances through direct allocations, the creation of temporary jobs, and the stabilization of fuel prices;⁸ (iii) financial support for companies;⁹ (iv) promotion of private investment; and (v) promotion of new engines of growth through executive committees.

- 1.10 **Situation of micro, small, and medium-sized enterprises (MSMEs).** At the close of 2020, 1.78 million formal MSMEs were registered (PRODUCE, 2020), a 20.5% drop from 2019. Also in 2020, MSMEs employed 62.6% of the country's economically active population (9.3 million people), 8% less than in the previous year. Of those, 15.7% were in formal job positions. MSMEs helped generate around 25% of the country's GDP (PRODUCE, 2021).¹⁰
- 1.11 In Peru, 99.5% of companies are MSMEs, and these enterprises have been the most vulnerable to the effects of the pandemic. Specifically, MSMEs performing economic activities considered nonessential or that were not among the first recovery groups were affected at the operational and sales levels. In 2020, their contribution to the private business sector's total sales decreased 10.5% compared with the previous year, to 23.9% (S/253.9 billion). The value of exports also shrank 18.2% (PRODUCE, 2021).
- 1.12 With regard to exports transacted by MSMEs in 2020, the number of export companies dropped 7.7% (7,405) compared with the previous year, due to the global recession resulting from the pandemic, which primarily affected MSMEs. Of total exports, MSMEs accounted for 68.7% (just 0.4% of formal companies and 4% of the total value of exports) and large companies generated 31.3% (96% of the total value of exports). The main products exported by MSMEs included nontraditional ones, with mining, agricultural, textile, and nontraditional fishery products (35%, 29.4%, 6%, and 4.3% of total MSME exports, respectively).
- 1.13 Although the country's formal companies had grown at an average annual rate of 9% from 2016 to 2019, 25% of them were forced to close on account of the pandemic. According to the International Labour Organization (2020), this reduction in the number of companies was due to supply factors, with the lockdown measures bringing down millions of companies in Latin America and the Caribbean, as well as to the fact that the demand for goods and services plummeted with the dive in household liquidity levels.
- 1.14 By way of contrast, at year-end 2020, over 840,000 MSMEs were engaged in some kind of lending operation in the financial system, over six times more than in the

⁸ Liquefied petroleum gas cylinders and diesel for vehicles are included in the fuel price stabilization fund.

⁹ Extension of the Tourism Business Support Fund (FAE-Turismo), MSME Business Support Program (PAE-MiPYME), and Agriculture Business Support Fund (FAE-Agro) up to 31 March 2022, and expansion of the scope of the Tourism Business Support Fund and MSME Business Support Program to grant loans for fixed assets as well as working capital. Reactiva Perú [Recover Peru] and the MSME Business Support Fund were rescheduled for up to 31 December 2021. The scope of the MSME Business Support Program was also expanded to include all enterprises with any type of economic activity. The Program to Strengthen Microlenders (Emergency Decree 037) was improved, and the Liquidity Program for Financial Institutions (Decree Law 1508) was expanded. The [Performance Agreement Program for the Strategic Strengthening of the Entrepreneurial MSME Fund Technological Services](#) was created.

¹⁰ [Las MiPYME en cifras 2020](#). PRODUCE.

previous year.¹¹ This increase reflects the Peruvian government's efforts to implement extraordinary measures to mitigate the pandemic's negative effects.¹² In 2020, 31.9% of formal MSMEs accessed formal loans, and 35.9% of all direct loans (S/71.85 billion) issued to companies went to MSMEs (PRODUCE, 2021). Notably, the direct lending balance in 2020 was 97% higher than in 2019, due to the ongoing government programs. These loans were mostly made to the business and services sectors.

- 1.15 According to the National Survey of Companies (2019), 66.6% of MSMEs know about the working capital loan, 42.7% about fixed asset loans, 44.9% about accessing credit through credit cards, and 40.1% about consumer loans. Nevertheless, they cite the following reasons for their low level of demand for these products:¹³ (i) they do not need the loans (72.2%); (ii) they consider the interest on the loans to be very high (13.5%); and (iii) they find the application process to be complicated (3.8%). These motives could prevent MSMEs from applying for loans, as they expect to be rejected (Kon and Storey, 2003).
- 1.16 **The local financial system and the role of Corporación Financiera de Desarrollo (COFIDE).** Peru's financial system has always played an important role in the country's growth and development, since it promotes the inclusive and sustainable exchange of resources and information between economic agents and serves as a platform for the execution of government strategies and policies. This was made even more apparent during the pandemic, when the financial system helped implement the economic recovery measures by channeling resources and aid to households and MSMEs.
- 1.17 It is important to remember that before the pandemic, the financial system's lack of depth and high costs were driving down productivity and capital accumulation in the companies for which it was more difficult to access financing. In 2017, only 7% of formal companies were registered in the financial system (PRODUCE, 2017). Of them, only 5% of microenterprises had access to the financial system.
- 1.18 The Peruvian financial system is one of the costliest in Latin America, the Caribbean, and the world, and this expense is transferred to companies through higher prices. Microenterprises may pay annual interest rates up to 4.5 times higher on average than the rates paid by large companies (Choy et al., 2015). Furthermore, the system is not very efficient, as demonstrated by the high interest rate spread. According to the World Bank's 2018 Global Financial Development Report, the bank lending-deposit spread in Peru is 14.4%, markedly higher than the averages for other Latin American countries (8.7%) and Organisation for Economic Cooperation and Development (OECD) member countries (3.3%). The World Bank (2015) also mentions that this cost is higher in Peru than in countries with similar levels of financial depth.

¹¹ The reported levels of MSME financial inclusion were, by year: 2016: 7.2%; 2017: 6.3%; 2018: 5.9%; 2019: 5.5%; 2020: 31.9%. The factors accounting for this low pre-pandemic rate of access to financing included the: (i) enterprises' productive structures; (ii) institutional and regulatory environment; (iii) degree of certainty and information asymmetries; and (iv) transaction and scale costs (IDB, 2017).

¹² The Reactiva Perú, MSME Business Support Fund, COVID-19 Guarantees, and MSME Business Support Program programs, among others, require the formal MSMEs to approach the financial institutions.

¹³ Over 50% of MSMEs that were aware of the main financial products available on the market did not apply for them.

- 1.19 Financial depth in Peru, understood as credit to the private sector as a percentage of GDP, was 55% in 2020 (World Bank, 2020), due to the pandemic. In 2019, it was 44.7% and in 2018, 43.9%, lower than the Latin American and OECD averages (50% and 144.8%, respectively). MSME financing is essential for investment development and capital accumulation in the MSME business segment, as it reduces the differences with large companies in terms of TFP and investments. Information asymmetry in the financial system is another barrier that must be overcome through financial inclusion policy actions and other financial education initiatives.
- 1.20 COFIDE is considered to be an extremely important actor in the country, given its economic development role of providing support for vulnerable population sectors as well as its participation in financing infrastructure and productive investment. It is the leading second-tier bank that channels financial resources to the traditional financial system, primarily for financing MSMEs. In the 2017-2018 period, COFIDE underwent a restructuring process that allowed it to streamline its loan portfolio and opt for more restrictive risk policies, as well as strengthen its funding through corporate bonds. Its portfolio has grown over the past few years, with increased project financing and financial intermediation disbursements to MSMEs. Within the Peruvian financial system, COFIDE has significant capillarity and the capacity to irrigate funds through its network of allies. In 2020, 174,455 loans were granted to MSMEs through 37 financial intermediary institutions, like municipal savings and loan associations (CMAC), rural savings and loan associations (CRAC), credit unions (COOPAC), financial institutions, and banks.¹⁴ The CMAC are very important in narrowing gaps since in general they serve populations that the traditional financial system does not reach.
- 1.21 As of December 2021, the balance of the COFIDE portfolio of loans for productive investment was US\$502 million, and of traditional intermediation for MSMEs, US\$847 million. The gross lending portfolio reached US\$1.602 billion (4.8% growth from 2019) and the investment portfolio, US\$559.3 million (23.2% less than in 2019). All told, 37.7% of COFIDE's loan portfolio went to the MSME sector, 19.6% to the energy sector, and 10.7% to the transportation sector.¹⁵ COFIDE implemented a gender equality policy that aims to foster women's equality and empowerment in Peru, through its actions and guidelines for incorporating the gender perspective in its products and services, etc.¹⁶
- 1.22 **Climate financing and MSMEs in Peru.** Peru has ratified its commitment to the Sustainable Development Goals (SDGs) and aligned its public policy objectives with the 2030 Agenda. Regarding its climate commitments, in the most recent update to its nationally determined contributions (NDCs), from December 2020, the country set improved emissions reduction targets for 2030, moving from an unconditional target of 20% below to 30% below the business-as-usual scenario. It also pledged more ambitious conditional targets (tied to international climate financing), adjusting the targets from 30% below business-as-usual to 40%

¹⁴ [Annual report](#). COFIDE 2020.

¹⁵ [COFIDE 2021](#).

¹⁶ [Gender equity policy](#). COFIDE.

below.¹⁷ To achieve these objectives, it will be essential to carry out climate change adaptation and mitigation activities in the economy, which require expanded climate financing.¹⁸ Given the importance of MSMEs to the country's economy, their integration into sustainable production processes is key to achieving the national climate targets. The Government of Peru is developing a Climate Financing Strategy,¹⁹ but important progress is already being made on climate financing in the country. For example, COFIDE issued a green bond in April 2019 for S/100 million (approximately US\$30 million as of the date of issuance), as well as the country's first sustainable bond in October that same year for S/100 million (approximately US\$30 million). The proceeds from these issuances were used to financing renewable energy projects, providing financing to over 12,000 male and female microentrepreneurs, and contribute to the reduction of approximately 9,355 tons of CO₂ equivalent by financing the purchase of taxis with less polluting technology.²⁰

- 1.23 **Women entrepreneurs.** In Peru, women have lower employment rates than men (42% vs. 58% of the economically active population, respectively, in 2020) and take significantly more part-time, temporary, and fixed-term jobs, usually in small, informal enterprises in which they are underemployed. Women also typically opt for self-employment, while continuing to shoulder the unpaid burden of domestic work. This situation has been heightened by the pandemic, with job losses also driving up the country's informality rate.²¹ The second quarter of 2020 saw the largest drop in women's employment rate (-44.4%), inasmuch as women were participating in the sectors that were hardest hit by the pandemic and subject to heightened risks of reduced workdays, lower wages, and layoffs, like lodging and food services, trade, and production (factories), among others (Coloma, 2021).²²
- 1.24 Women participate in Peru's economy not only as workers, but also as business owners. However, information disaggregated by sex on companies in Peru is limited. At present, two sources of information are typically used as references to map the characteristics of women's enterprises: the Enterprise Survey and the National Institute of Statistics and Computing (INEI). While the former concluded that 19.4% of Peru's companies (of various sizes) are led or owned by women,²³ INEI data (2019) show that 51.8% of companies registered as natural persons, mostly MSMEs, were run by women.²⁴ Companies registered as natural persons accounted for 73.6% (1.76 million) of all companies in 2018, and women led 52%

¹⁷ [Nationally Determined Contributions of Peru. Updated report for the period 2021-2030.](#)

¹⁸ [Sustainable Development Goals](#). United Nations.

¹⁹ Government of Peru, op. cit.

²⁰ [Green bond, 2021 report](#), COFIDE; [Sustainable bond report](#), COFIDE, 2021.

²¹ The regulations associated with microenterprise development are declaratory on gender and do not define specific actions or associated indicators to target women and their priorities in capacity-building or other issues. The information on women microentrepreneurs is considered to be insufficient, and as a group they are quite heterogeneous, ranging from vulnerable individuals to consolidated microenterprises.

²² [El impacto del COVID-19 en las mujeres trabajadoras del Perú.](#)

²³ [Enterprise Survey 2017.](#)

²⁴ According to the INEI, companies registered as natural persons personally exercise their rights and fulfill obligations, meaning that the individual running the company assumes the associated responsibilities and liabilities that the economic unit may acquire.

- of microenterprises and 38.1% of small enterprises (INEI, 2019).²⁵ The regions of Cajamarca, Lima, and Huánuco have the fewest women microentrepreneurs (2 out of 10). On the other hand, the regions of Huancavelica and Puno have more (5 out of 10).
- 1.25 All told, 2021 was a positive year for the creation or recovery of over 21,000 enterprises registered by women as natural persons. The main aims of these women are to have their own businesses, make the most of their business ideas, gain independence, and meet their economic needs. In all, 49.5% of women microentrepreneurs have university higher education, 30.6% have secondary education, and 13.3% have non-university higher education. For small companies, these figures shift to 57.1%, 13.3%, and 14.7%, respectively. Women at the helm of companies are between 25 and 49 years old (47 on average).
- 1.26 Compared with their male counterparts, women microentrepreneurs mainly work in retail and services, in economic activities in the food and beverage sector (61.1%) and automotive and motorcycle vehicle sales and repair sector (58.5%). The lowest levels of women's participation are found in mining and quarries (22.6%) and the construction sector (12.1%). In all, 59% of women-led microenterprises are in the business sector, 34% in the services sector, and the rest in the manufacturing sector.
- 1.27 The Technological Production Institute of the network of Centers for Productive Innovation and Technology Transfer²⁶ reported that in 2019-2020, 105 research, development, and innovation projects were executed under women's leadership (52%). It also reported that up until July 2019 alone, around 36% of companies providing technological and innovation services (4,000) include women in managerial positions or as legal representatives, mainly in the garment production chain (textiles and footwear), with 1,231 women, followed by the agroindustrial sector, with 1,209. In the fishing and aquaculture sector, there were 569 companies represented by women, and in wood, 655.²⁷
- 1.28 Regarding access to financing, 32% of women took out loans, compared with 41% of men.²⁸ Moreover, just 4% of the loans taken by women are for business affairs, while 8% of the ones taken by men are. When women achieve financial inclusion, it has a positive impact not only on their personal lives but also on their businesses.
- 1.29 The local financial system represents a significant barrier for MSMEs in general (paragraphs 1.17-1.20), but the literature on the financial inclusion of women and women's enterprises emphasizes that they face further obstacles to supply and demand that hamper their access to the financial system.
- 1.30 The supply-related obstacles have to do with the lack of products with ideal conditions for meeting the needs of women entrepreneurs. The current range of products offers the best conditions to men, who tend to lead larger businesses (and therefore take out larger loans). There are few financial products designed

²⁵ Only companies registered as natural persons are included.

²⁶ The Centers for Productive Innovation and Technology Transfer are institutions that promote innovation and the use of new technologies among producers, associations, and cooperatives.

²⁷ [Government of Peru digital platform](#).

²⁸ Global finindex, World Bank, 2017.

specifically for women clients that take into account gender and socioeconomic differences as well as local cultural contexts, places of residence, and discrimination by loan officers. In the Peruvian intermediary financial system, three savings products and three insurance products have been identified as specifically targeted to women.²⁹ Furthermore, at the national level, there are 14 loan products exclusively for women, offered primarily by the municipal savings and loan associations (CMAC), rural savings and loan associations (CRAC), credit unions (COOPAC), and financial institutions. Most of these loan products target women entrepreneurs (with their own businesses), and they are typically made to retail and wholesale businesses, mainly in urban areas.

- 1.31 The demand-side barriers identified include issues related to financial education, insufficient collateral (properties or goods in the woman's name), the concentration of women in informal and micro activities, greater risk aversion, lack of confidence in financial institutions, and their false personal perception that they will not be given the loan. Although in Peru women increased their financial knowledge between 2013 (23%) and 2019 (33%), the gender gap in financial knowledge remains, with women 8 percentage points behind men (Andean Development Corporation, 2019). In addition, given their limited access to financial products, women microentrepreneurs do not typically have much experience managing them, and without established credit histories, it is difficult for them to qualify for loans. Around 35% of women are unbanked, 7 percentage points more than men (SBS, 2019).
- 1.32 **Program design strategy.** International experience shows that the use of specific instruments facilitates MSME access to credit.³⁰ Accordingly, national development banks play an important role, since they are governments' primary tools for fostering investment and mobilizing financial resources, especially in periods of economic uncertainty.³¹
- 1.33 The evidence on the effects of women's access to credit is also positive: women are better payors and apply for up to three times more financial products than men. With sustained support, women microentrepreneurs have the potential to expand their operations. Moreover, women and women entrepreneurs who access credit positively impact decision-making in the household, develop more self-esteem, spend more on their children's education, and at the same time strengthen their political and social involvement in their communities of origin.³²

²⁹ *Cuenta Fondo de Garantía* [Guarantee Fund Account] (Incasur rural savings and loan association), *Cuenta Súper Mujer* [Super Woman Account] (Compartamos financial institution) and *Cuenta Simple Sumaq Warmi* [Sumaq Warmi Simple Account] (Kori cooperative). *Seguro Protección Grupal* [Group Protection Insurance] (Compartamos financial institution), *Seguro Desgravamen* [Title Insurance] (Compartamos financial institution) and *Desgravamen Mujer Segura* [Confident Woman Title Insurance] (Confianza financial institution).

³⁰ IDB, [Políticas para el financiamiento de cadenas de valor: lecciones aprendidas para intervenciones frente al COVID-19](#), 2021.

³¹ De Ollóqui, F. et al., [Bancos públicos de desarrollo ¿Hacia un nuevo paradigma?](#) IDB, 2013.

³² Yancari, J., *Diagnóstico de la oferta de productos financieros para mujeres empresarias en Perú*, IDB, 2021.

- 1.34 **Potential demand.** Estimates of the MSME finance gap,³³ with International Finance Corporation (IFC) data from 2018, show that there are 30,000 women-owned MSMEs that are partially or fully financially constrained. The same study estimates that there is a financing gap of around US\$500 million for unserved formal women-owned MSMEs in Peru.³⁴ In this context, this operation will play the important role of helping to meet this unmet demand. Furthermore, demand for climate-related investments is believed to be robust among MSMEs. Demand for the green bond and the sustainable bond issued by COFIDE (paragraph 1.22), both for approximately US\$30 million, was reported to be 1.4 and 1.9 times the value offered. The amount expected for this type of investment (US\$5 million) is less than the overall potential demand estimated for women-led MSMEs (US\$481 million) and MSMEs in general (US\$8.1 billion).³⁵

Table 1. Potential demand for credit from women's MSMEs in Peru

	Fully constrained	Partially constrained	Total
Number of women's MSMEs with financial constraints	13,000	17,000	30,000
	Microenterprises	Small and medium-sized enterprises	Total MSMEs
Financing gap for formal women-owned enterprises	US\$124 million	US\$357 million	US\$481 million

Source: IFC MSME finance gap, with information on Peru up to 2018.

- 1.35 Products whose designs include flexible (or immovable) collateral, tighter timelines, longer grace periods, and financial education programs, etc. typically spark women's interest. Development banks like Nacional Financiera in Mexico (NAFIN)³⁶ and the Production Development Corporation (CORFO) in Chile³⁷ have tested programs with similar characteristics, and they resulted in a greater appetite for credit among women. To foster increased demand from women's enterprises, the program will work to: (i) review the nonfinancial services like financial education programs that could better be offered to women through COFIDE (women place a higher value on such services than men do);^{38,39} (ii) create installed capacity in financial intermediary institutions through training sessions, to raise their awareness of the profile of women entrepreneurs, gender-focused products, the intelligence value of data disaggregated by sex, and gender biases in financing. For this program, the financial intermediary institutions will be provided with resources to make loans specifically to women-owned enterprises: COFIDE's access to funding with preferential rates (from the Bank) will motivate the financial

³³ IFC. [Demand analysis](#).

³⁴ The study estimates that the demand for financing from informal companies is 116% higher than formal demand, although this statistic is not disaggregated by sex.

³⁵ IFC, op. cit.

³⁶ Internal consulting services report: *Hoja de ruta para desagregar datos de mujer empresaria en la cartera de MiPyME de la Banca de Desarrollo en México*, 2022. Gisela Garzón de la Roza, consultant.

³⁷ CORFO, 2021. Gender bulletin.

³⁸ [Non-financial services: The key to unlocking the growth potential of women-led small and medium enterprises for banks](#). Financial Alliance for Women.

³⁹ [Improving financial services for women](#). Financial Alliance for Women.

intermediary institutions to apply for such resources, which have better financial conditions. In turn, they will have to design strategies to raise awareness of the available resources among the end beneficiaries.

- 1.36 In order to channel program resources to the business sectors where women have the largest presence, the program will give priority to retail and services sectors (paragraph 1.26), which is where the largest share of the universe of women-led businesses are concentrated. This will be subject to market demand and balanced against interest among the IFIs participating in the program that lend to the women-led segment.
- 1.37 In addition, the establishment of production chains with women participants (e.g., CECANOR, the Northeast Coffee Producers Center,⁴⁰ for fair trade certified coffee production, and the women of Sechura Bay⁴¹ who participate in the fisheries chain)⁴² creates an opportunity to strengthen the chain's participants and increase profitability, through better prices and lower operating costs, thereby facilitating access to high-quality inputs and improving TFP. With this in mind it is important to consider, especially when financing manufacturing companies and subject to market demand, the links in the chain that are most likely to have women-led businesses, which tend to be concentrated along the parts of the chain related to retail and bulking and processing services⁴³ (paragraph 1.26), so that this type of business is benefited, through indirect financing, including through the area of the program that addresses chain and linkage issues. This also decreases the risk perceived by individuals regarding the soundness of the larger-scale operation, making it more feasible to access sources of financing, technology, and technical assistance.
- 1.38 **Bank experience in the sector, country, and other similar programs in other countries or in the area of the intervention.** Bank experience with access to financing for MSMEs in general includes: (i) credit lines for investment and working capital, surety and guarantees, green financing, concessional financing, trusts, and microloans; and (ii) technical assistance programs to finance advisory services for MSMEs not just on access to financing but also on administrative, commercial, and operational aspects, and analysis of financing needs for banks and institutional investors.⁴⁴ The Lending Program for Productive Development in the Province of San Juan ([2763/OC-AR](#)),⁴⁵ disbursed between 2015 and 2020, successfully supported the expansion of credit access and employment for hundreds of MSMEs, leading to investment projects financed with regional resources. In Brazil, under the conditional credit line for investment projects (CCLIP) [BR-O0001](#), the program for the Promotion and Innovation of Access to Multisector Medium and Long-Term Credit for Productive Investments by MSMEs

⁴⁰ [Café femenino. Peru Program.](#)

⁴¹ UNDP. [Diagnóstico de autopercepción de las mujeres en la Bahía de Sechura.](#)

⁴² [Fair Trade Campaign.](#)

⁴³ [ECLAC. Mujeres emprendedoras en ALC. 2010.](#)

⁴⁴ IDB, [Políticas para el financiamiento de cadenas de valor: lecciones aprendidas para intervenciones frente al COVID-19](#), 2021.

⁴⁵ Approved in 2012.

([4672/OC-BR](#))⁴⁶ made it possible to issue loans to over 20,900 MSMEs, thus encouraging productive investments that led to a 4% increase in sales and in the beneficiary companies' average level of employment, compared with nonbeneficiary companies.

- 1.39 The Bank also has experience working with the executing agency, COFIDE, thanks to the Program to Promote Sustainable Financing in the Peruvian Amazon Region ([5356/OC-PE](#))⁴⁷ and the program for Financing Sustainable Electric Transport Solutions in Peru ([5249/OC-PE](#)),⁴⁸ whose implementation structures are similar to that of the proposed program, although they address different issues. This will make it possible to take advantage of synergies and lessons learned during execution of the proposed program. COFIDE also participates in the mechanism for executing the Innovation, Technological Modernization, and Entrepreneurship Program ([5287/OC-PE](#)).⁴⁹ This operation establishes gender-based targets for the number of innovative women entrepreneurs in Peru. To that end, it seeks to launch a network of innovative women entrepreneurs that will engage in development, training, incubation, and brainstorming to create and launch new enterprises.
- 1.40 This program will also benefit from the experience acquired by IDB Invest in the loan programs for the municipal savings and loan CMAC Cusco S.A. (13025-01),⁵⁰ especially with the strategies that have proven to be successful for building equity for the MSMEs affected by COVID-19, and the Financial Inclusion Social Bond (13019-01)⁵¹ spearheaded by a CMAC to support the strategy of expanding the portfolio targeting women-led MSMEs in Peru.
- 1.41 **Lessons learned.** The following lessons learned stand out as applicable to this proposal: (i) align program objectives with a diagnostic needs assessment of the target group and/or sector and of the characteristics of the local financial market, and support the proposed program with a diagnostic assessment of the offering of financial products for women entrepreneurs in Peru;⁵² (ii) use bidding and fund allocation mechanisms in the second-tier financing of financial intermediaries modality, which will afford institutional and operational autonomy for allocating resources as set forth in paragraphs 1.46 and 1.47; and (iii) focus the project on financial aid activities (paragraph 1.48), which have proven to be a determining factor that positively impacts the development of companies, especially MSMEs.

⁴⁶ Approved in 2018.

⁴⁷ Approved in 2021 for US\$20 million, currently in the eligibility stage.

⁴⁸ Approved in 2021 for US\$20 million, currently in the implementation stage, with the first disbursement anticipated.

⁴⁹ Approved in 2021 for US\$100 million, currently in the eligibility stage, expected to reach eligibility in June 2022.

⁵⁰ Approved in 2021 for US\$25 million, currently in the implementation stage.

⁵¹ Approved in 2020 for US\$16 million, currently in the implementation stage.

⁵² Yancari, J., *Diagnóstico de la oferta de productos financieros para mujeres empresarias en Perú*, IDB, 2021.

Furthermore, international and regional evidence show that women borrowers have better repayment behavior and use the financial products more.^{53,54,55}

- 1.42 **Country strategy for the sector.** Peru has been fostering gender equality, and one of its first actions to that end was forming the Ministry for Women and Human Development in 1996, changed to the Ministry for Women and Vulnerable Populations (MIMP) in 2012 (Decree Law 1098). From the public policy perspective, the MIMP is the government body responsible for coordinating programs focused on women's inclusion. The national gender equality policy (Supreme Decree 008-2019-MIMP) and its multisector strategic plan (Supreme Decree 002-2020-MIMP) include measures to support women's work performance and development.
- 1.43 One of the facets on which the MIMP has focused has been women's economic independence, and it has highlighted the gender gap in access to financing for entrepreneurial initiatives. To this end, the MIMP has been making institutional efforts to design the National Program for Women Entrepreneurs (PRONAME), which aims to support women's development as enterprise owners and leaders. PRONAME, as a comprehensive government policy, links together financial and nonfinancial aspects. The government, specifically the MIMP, is interested in working in coordination with different agencies, and accordingly, has approached COFIDE for support on the financial issues involved in the policy for financing women's enterprises. Therefore, COFIDE will become one of the windows for supporting PRONAME, in order to help close the financing gap for women entrepreneurs.
- 1.44 An uncertain context, subject to external contingencies and internal inefficiencies, requires economic actors to coordinate effectively on technology, financing, and/or capital, in a cooperative, equitable way within a productive chain, to respond to the changes that take place in the international market and allow for proper exchange of information throughout the chain. To facilitate coordination between the economic actors, the government has created forums for public-private interaction, called executive committees.⁵⁶ These committees discuss specific measures for increasing the productivity of vertical sectors (e.g., forestry, tourism, agroexports) as well as horizontal ones (e.g., logistics, administrative simplification). PRODUCE has formed technical groups to promote the digital economy and foster the development of strategic supply chains for products like certified coffee, Peruvian cacao and chocolate, Andean grains, textiles from South American camelids, and ornamental Amazonian fish and paiche. They will supplement this work with the broader management of the executive committees.

B. Objectives, components, and cost

- 1.45 **Objective and scope.** The general development objective is to foster inclusive income growth in Peru. The specific development objective is to support increased

⁵³ [Measuring the value of the female economy, 2021](#). Financial Alliance for Women.

⁵⁴ [Financial Market Commission, Chile, 2021. Gender report.](#)

⁵⁵ [National Banking and Securities Commission, Mexico, 2021.](#)

⁵⁶ [Mesas ejecutivas en Perú](#). IDB.

financing for productive investment by MSMEs, with a special emphasis on women-led ones.⁵⁷

- 1.46 **Component 1. Financing for women's MSMEs⁵⁸ (US\$60 million).** This component will contribute to improving the main factor hampering the financial inclusion of women's enterprises in Peru: access to credit. Given the gaps in both supply and demand (paragraphs 1.29-1.31), financial institutions' current offerings have not identified the women's enterprise market. Although some financing products targeting women's MSMEs do exist (paragraph 1.30), mostly spearheaded by microlending institutions and municipal savings and loan associations (CMAC), it is extremely important to expand the offering of suitable financing products. One way to encourage this expansion is to improve the availability of resources for financing women's MSMEs. Therefore, the funds from this component will be exclusively allocated to women's MSMEs. Although the resources will be allocated based on market demand, the expectation is that women's MSMEs in the retail and services sectors will receive a large share of the resources inasmuch as most women-led businesses are concentrated in these sectors (paragraph 1.26). To that end, the operation will provide COFIDE with funds to be allocated to second-tier loans to the eligible financial intermediary institutions.⁵⁹
- 1.47 **Component 2. Productive financing for MSMEs (US\$40 million).** This component will contribute to the objective of expanding the offering of productive financing for MSMEs in Peru. To that end, the component will provide COFIDE with funds to be allocated to second-tier loans to the eligible financial intermediary institutions, which will in turn lend these funds to MSMEs in various productive sectors and that may belong to production chains. This component will also allocate at least 5% of total program resources (equivalent to US\$5 million) to finance climate-related investments by MSMEs, in line with the needs described in paragraphs 1.22 and 1.34. The program's [Operating Regulations](#) will specify the list of activities that are eligible for this type of financing.
- 1.48 **Thresholds for subloans.** Both components may finance loans for the enterprises to invest in assets or working capital to expand their production capacity and improve and/or modernize production processes. The program aims to help financial intermediary institutions expand their services for women's MSMEs, by improving conditions in their MSME financing lines, referencing existing market conditions for larger companies. The maximum loan amount will be US\$150,000, but the average loan amount is expected to be less than US\$20,000 ([Operating Regulations](#)). These amounts are consistent with the estimated demand in Peru (paragraph 1.33), and the average loan amount is based on historical information from enterprise-financing programs executed by COFIDE. Based on information

⁵⁷ The program will deepen the Peruvian government's response to social and economic challenges that intensified as a result of the COVID-19 pandemic.

⁵⁸ For the purposes of this program, women's MSMEs are defined according to international best practices and the definition adopted by the IDB Group, which includes both ownership and leadership, as follows: (i) at least 51% or more of the enterprise is owned by women; and/or (ii) the enterprise has at least one woman as chief executive officer/general manager/president.

⁵⁹ To be eligible for participation, the financial intermediary institutions must comply with COFIDE's financial intermediation risk policies.

from the financial institutions participating in these programs, the average loan amount is estimated at US\$11,663. The IDB investment totals US\$100 million and includes both financing components, meaning the operation will have a portfolio of 8,574 beneficiaries (paragraph 1.50).

- 1.49 **Technical support.** Although the primary barrier is access, others, like financial education and quality, also exist and must be addressed concurrently with the loan's provision of financial resources. The operation will therefore work to improve the quality of nonfinancial services, by fostering the development of training strategies to improve financial administration, the use of the funds, and the investments made by women's MSMEs. In addition, to improve the financial intermediary institutions' preparation and readiness for capturing increased demand from women's enterprises, the operation will work with COFIDE to provide institution-strengthening training for the financial intermediary institutions, on gender-related issues like the profile of women entrepreneurs, gender biases in lending, data disaggregated by sex, etc. To ensure proper reporting by the financial intermediary institutions, COFIDE is implementing a data-reporting system, tied to an institutional data governance strategy, that will coordinate prior project developments to work towards better monitoring of the women-led MSME portfolio, using resources from the technical cooperation operation [ATN/OC-18918-RG](#).⁶⁰ To that end, information disaggregated by sex will be collected at the enterprise level. This information will help COFIDE settle on a definition of women's enterprises, which will enable it to refine the design of products to more effectively serve them. The operation will provide support to help COFIDE: (i) identify international best practices and national initiatives for classifying women's companies; (ii) review the information available in the COFIDE systems to obtain the necessary information on women entrepreneurs, including baselines; and (iii) define the gender indicators and/or variables that it will use institutionally.
- 1.50 **Results indicators.** The indicators for measuring the achievement of the specific development objectives are as follows: (i) the COFIDE portfolio allocated to financing MSMEs through the financial intermediary institutions; (ii) the average percentage of a sample of the portfolios of the financial intermediary institutions financed by COFIDE with program resources, allocated to financing women-led MSMEs; and (iii) the average ratio of arrears in the MSME portfolio of the financial intermediary institutions receiving program funds over the average rate of default on loans to MSMEs in Peru. At the general development objective level, the indicators to be measured will be the average annual sales growth for beneficiary MSMEs and the average annual sales growth for beneficiary women's MSMEs (Annex II).
- 1.51 **Beneficiaries.** The program beneficiaries will be MSMEs,⁶¹ mostly women-led, but also ones in sectors and production chains with women participants. This includes

⁶⁰ Regional technical-cooperation operation to support the client with data disaggregated by gender for financial inclusion, for US\$350,000.

⁶¹ Pursuant to Law 30056, these companies are classified according to the value of their annual sales: microenterprises, annual sales of maximum 150 tax units (UIT) (approximately US\$198,498); small enterprises, between 150 UIT and 1,700 UIT (approximately US\$2,249,642); and medium-sized enterprises, between 1,700 UIT and 2,300 UIT (approximately US\$3,043,634).

anchor companies⁶² that will also benefit insofar as they will have the capacity to mobilize a wide range of MSMEs around a chain. The program will benefit an estimated 8,574 MSMEs, 5,144 of which are women-owned.

C. Strategic alignment

- 1.52 The program is consistent with the Second Update to the Institutional Strategy (document AB-3190-2) and is strategically aligned with the development challenges of: (i) social inclusion and equality, since it is a program that will provide access to financing mostly to women's businesses; and (ii) productivity and innovation, by offering support to companies that invest in more efficient technologies and processes through MSME financing instruments. The program is also aligned with the crosscutting theme of gender equality, through the support for women's businesses through an allocation of US\$60 million (paragraph 1.47), and with the crosscutting theme of climate change, by allocating a portion of the resources for the financing of climate-related investments by MSMEs. Climate financing of 20% has been estimated, according to the [joint methodology of the multilateral development banks](#). The climate financing for MSMEs contributes to the country's climate pledges included in its nationally determined contribution (NDC), as well as to the IDB Group target for climate-related financing (30% of the volume of annual approvals). The program is consistent with the following sector framework documents: (i) Gender and Diversity (GN-2800-8), since it will contribute to measuring and shrinking the gender gap in productive financing; and (ii) Support to SMEs and Financial Access/Supervision (GN-2768-7), by supporting MSME financing. It is also aligned with the Institutions for Growth and Social Welfare Strategy (GN-2587-2), through the increase in access to credit via local financial institutions. The program is aligned with the IDB Group Country Strategy with Peru 2017-2021 (GN-2889), which includes support for business development among its priority areas, through access to credit and technology transfer and innovation, with a special emphasis on women entrepreneurs. Furthermore, the operation has been included in the 2022 Operational Program Report (GN-3087).
- 1.53 The program also dovetails with the priorities of the IDB Group [Vision 2025](#) (document AB-3266), whose first tier is aimed at fostering sustainable and inclusive economic growth, by supporting MSMEs and gender equality. The program helps advance the Peruvian government's response to the economic and social challenges resulting from the COVID-19 pandemic, which has further brought to light the need to increase MSME liquidity with a gender perspective and foster job recovery to sustain employment and the productive framework. The program also furthers implementation of the MIMP actions, by supporting measures and programs that recognize the pandemic's differential impact on the female labor force.
- 1.54 The program contributes to the Sustainable Development Goals (SDGs), specifically: SDG#5, gender equality, by allocating 60% of its funds to providing loans exclusively to women's MSMEs; SDG#8, decent work and economic growth, by providing financing to MSMEs to drive their heightened economic development and the expansion of employment; SDG#13, climate action, by allocating

⁶² An anchor or market-driving company is one that can maintain a business relationship with its suppliers.

resources to finance climate investments; and SDG#17, partnerships for the goals, by financing MSMEs through financial intermediary institutions, which is expected to lead to further mobilization of private funds in the future.

D. Viability analysis

- 1.55 **Technical viability.** Based on recent experience with programs being implemented by COFIDE (paragraph 1.39), it has been determined that COFIDE has sufficient technical capacity to guarantee all of the operational, administrative, financial management, and monitoring and control mechanisms, as well as to provide the necessary human resources for transparent, effective program execution, management, and supervision. The technical viability of the proposed financial intermediary arrangement has been demonstrated through a number of interventions successfully executed by public sector banks in the region (paragraph 1.38).
- 1.56 **Socioeconomic viability.** The [economic analysis](#) identifies program benefits that result from the beneficiaries' income (as a proxy for value generation and productivity) and job creation, compared with the situation without the program. Discounting flows at 12% yields a net present value of US\$19.9 million and an internal rate of return of 21%. The results of the sensitivity analyses show that the program's economic value remains positive under various test scenarios.
- 1.57 **Socioenvironmental viability.** The program's socioenvironmental viability rests on the existence of the [Environmental and Social Review Summary](#), which will be included in the program [Operating Regulations](#) and will define the environmental and social requirements (paragraph 2.4). No adverse socioenvironmental effects are expected from financing the eligible MSMEs, given that neither category "A" projects nor activities on the IDB exclusion list will be financed.
- 1.58 **Institutional and financial viability.** COFIDE and the IDB have maintained a tight, solid relationship supported by a number of successfully executed technical cooperation operations and loans in execution. COFIDE has prior experience in private sector investment financing, especially for MSMEs (paragraphs 1.20-1.21), while the MEF has prior experience borrowing funds from multilateral organizations. COFIDE's fiduciary capacity as executing agency was assessed in September 2019, using the institutional capacity assessment system methodology. COFIDE scored 90.16% compliance on the assessment, which indicates that it possesses institutional capacity, a satisfactory degree of development, and a low level of risk for program execution. In addition, the activities of the complementary technical cooperation operation (paragraph 1.49) include support for COFIDE in building program-execution capacities.

II. FINANCE STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Financing structure and modality.** Since the operation is set up to work through financial intermediation, meaning the final beneficiaries will receive program proceeds through the financial intermediary institutions, governed by market mechanisms, the proposed modality is a global credit operation using an investment loan instrument for US\$100 million from the Bank's Ordinary Capital.

- 2.2 **Cost and financing.** Table 2 lists the program's estimated costs and sources of financing.

Table 2. Estimated program costs (US\$ millions)

Components	IDB (Total)	%
Component 1. Financing for women's MSMEs	60	60
Component 2. Productive financing for MSMEs	40	40
Total	100	100

- 2.3 **Disbursement schedule.** Based on the expected demand (paragraph 1.34) and prior experience with this type of instrument, the planned execution period is five years with a five-year disbursement period, starting from the entry into force of the loan contract to be signed by the IDB and the Republic of Peru.

Table 3. Disbursement schedule (US\$ millions)

Components	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB (Total)	20	20	20	20	20	100
%	20	20	20	20	20	100

B. Environmental and social safeguard risks

- 2.4 Pursuant to the Environmental and Social Policy Framework (document GN-2965-23), the program is classified as a financial intermediary operation, with a moderate environmental and social risk. The program supports access to credit for MSMEs from multiple productive sectors and will finance loans (for example, for business, services, logistics, etc.) that support the MSMEs' production capacity and ability to improve and/or modernize their production processes. The results of the environmental and social due diligence show that the subprojects to be financed by the program will have low socioenvironmental risks, since the average financing value per subproject will be less than US\$20,000, with a cap of US\$150,000. Furthermore, this program will not finance category "A" or "B" subprojects, subprojects with heightened socioenvironmental risk, projects in the Amazon area, nor subprojects that finance the installation of solar panels. The program's potential environmental and social impacts will be addressed through the program's Environmental and Social Management System, which will be based on compliance with the IDB exclusion list, local law, and additional exclusion and eligibility criteria, among other elements ([Environmental and Social Review Summary](#)). These environmental and social requirements will form the program Environmental and Social Management System and will be included in the program [Operating Regulations](#).

C. Fiduciary risks

- 2.5 One general fiduciary risk has been identified and is considered low. The institutional capacity analysis⁶³ identified weaknesses and opportunities for improvement associated with the lack of knowledge of the IDB financial management fiduciary policies. Accordingly, the program provides for training and support ([ATN/TC-17909-PE](#))⁶⁴ and included relevant considerations in establishing the contents of the program [Operating Regulations](#). COFIDE has extensive

⁶³ The institutional capacity assessment was conducted in 2019 during the design of operation [5249/OC-PE](#).

⁶⁴ Technical cooperation funding for operational support approved in 2020 for US\$477,000.

experience in financing investments in all different sizes of enterprises and has been the primary manager of the government's emergency programs for MSMEs approved to address the COVID-19 crisis.

D. Other key issues and risks

- 2.6 A medium-high economic-financial risk has been identified, since negative exchange-rate conditions in the short term and continued volatility could lead to an imbalance in the program accounts, as IDB loans are denominated in United States dollars and the loans to the end borrowers are expected to be disbursed mostly in local currency. As a mitigation measure, the IDB will ensure that COFIDE is well-informed about strategies to cover this risk as well as sufficiently connected with other financial institutions willing to maintain local positions in United States dollars.

III. EXECUTION MECHANISM AND ARRANGEMENTS FOR MONITORING AND EVALUATION OF RESULTS

A. Execution mechanism

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Peru, and the executing agency will be COFIDE. As part of the local financial system, COFIDE has the power to carry out all financial intermediation activities allowed by law. It operates as a second-tier bank and is regulated by Decree Law 206 and Supreme Decree 113-2017-EF. Since its creation in 1971, COFIDE has focused its activities on channeling funds, from local and international capital markets and banks, to lenders through financial intermediary institutions (commercial banks or State institutions), with the goal of promoting and financing productive investment and infrastructure throughout the country. COFIDE is owned by the National Fund to Finance Government Business Activity ([FONAFE](#)) and is governed by the MEF, like all public sector banking institutions in Peru.
- 3.2 For onlending, COFIDE will act as intermediary of the funds for the beneficiaries through the financial intermediary institutions and will be responsible for transferring funds and monitoring program accounts in its role as executing agency. To that end it will use country budgeting, accounting, and treasury systems without identified fiduciary risks (Annex III). In its role as executing agency, COFIDE will be responsible for implementing and auditing (the latter, internally and through a third party in accordance with the procedure governing the executing agency as stipulated by the Office of the Comptroller General of the Republic of Peru and in line with the Bank's procedures) the following processes: (i) definition of the financial products' characteristics and conditions; (ii) selection, evaluation, accreditation, and monitoring of the financial and socioenvironmental performance of the eligible IFIs; (iii) engagement and management of potential third-party contributors of resources, outside the program; (iv) application of criteria for eligibility, allocation, and collection of resources, and monitoring and supervision of the beneficiaries and the projects and/or investments; and (v) instruction for all actors to become knowledgeable about program requirements and conditions, including noncompliance. To that end, the COFIDE Business Management Section will be in charge of program management. It will act as a focal point for program coordination with the IDB, including all the activities

described in the program [Operating Regulations](#) and the [monitoring and evaluation plan](#). COFIDE will administer program resources pursuant to the stipulations of the program [Operating Regulations](#), ensuring that resources reach the beneficiaries through the accredited financial intermediary institutions.

- 3.3 **Description of eligibility criteria.** Due to the multisector nature of the target population, the program establishes eligibility criteria for the beneficiary projects, seeking to ensure compliance with strict standards to guarantee program targeting, according to the components described above, of: (i) women-led MSMEs; and (ii) MSMEs in sectors and production chains in which women participate (paragraph 1.49). These criteria are based on analyses of program preparation activities, including the diagnostic assessment of the offering of financial products for women entrepreneurs in Peru, in line with the relevant local public policy, and the analysis of the institutional capacity and specific fund intermediation structures. These eligibility criteria, as well as additional associated restrictions, requirements, and rules, are included in the program [Operating Regulations](#), to be agreed upon between COFIDE and the IDB as a condition precedent to the first disbursement (paragraph 3.4). To be eligible, in line with national law and COFIDE's policies and procedures, projects must, at a minimum: (i) involve an enterprise that qualifies as an MSME and, where applicable, as a women's MSME; (ii) ensure the enterprise participates in production chains in line with the COFIDE inclusive value chains strategy,⁶⁵ where applicable; (iii) guarantee that the socioenvironmental impacts and risks are properly managed and supervised, in compliance with the socioenvironmental safeguard requirements, including exclusion lists; and (iv) fulfill the requirements of the process for using the funds, through the accredited channels. In turn, to participate in the program, authorized financial intermediary institutions must meet the eligibility criteria, as established in the program [Operating Regulations](#), such as exposure thresholds and economic-financial status, measured based on qualitative and quantitative indicators. These criteria are set forth in the credit risk policies manual for COFIDE intermediaries, duly approved by the COFIDE board. This manual also establishes the criteria for credit risk administration and COFIDE-authorized counterparts.
- 3.4 **Special contractual conditions precedent to the first disbursement of the financing.** As special contractual conditions precedent to the first disbursement of the financing: (i) the [Operating Regulations](#) for the program will have been approved by the executing agency and will have entered into force, in accordance with the terms and conditions previously agreed upon with the Bank, and will include socioenvironmental issues based on the [Environmental and Social Review Summary](#); and (ii) the borrower and the executing agency will have signed a subsidiary agreement for execution of the program activities, and this agreement will have entered into effect, in accordance with the terms previously agreed upon with the Bank. These conditions are justified inasmuch as: (i) the [Operating Regulations](#) contain the basic criteria and requirements for program execution; and (ii) the

⁶⁵ The productive projects selected are expected to be ones that enhance the efficiency and productivity of the businesses and the chain in general, in order to create a viable value-generating model that is collaborative and inclusive. Further details at [COFIDE 2020 Annual Report](#).

borrower/COFIDE agreement formalizes the fund transfer mechanisms and the borrower and executing agency obligations.

- 3.5 **Procurement and disbursements.** The program will follow the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15), as it will be executed as a global credit loan for investment. Consulting services are not expected to be procured or contracted. Specifically, compliance with the provisions of Section I of the aforementioned policies will be guaranteed, as detailed in the [Operating Regulations](#). The fiduciary agreements and requirements (Annex III) establish the frameworks for the financial management, planning, supervision, and execution of procurements involved in program execution. Bank loan proceeds may be disbursed through the advance of funds or reimbursement of expenses modalities. For the advance of funds modality, COFIDE will request Bank disbursement of the proceeds based on a financial plan that covers the program's real liquidity needs for up to 180 days. Disbursements will be substantiated with at least 50% of the total cumulative balances pending substantiation, taking into account criteria (iii)(a) and (iii)(d) of numbered paragraph B3.3 of the OP-273-12 guidelines, using the IDB forms. COFIDE will maintain a specific bank account in United States dollars and one in Peruvian soles for managing the program funds.
- 3.6 **Operating Regulations.** The [Operating Regulations](#) include details on the responsibilities of administration, monitoring, and risk management, as well as beneficiary eligibility criteria, terms and conditions of the subloans, sectors that may be financed, financial condition information and reporting requirements, and other parameters and restrictions that will govern the use of IDB resources, including measures agreed upon with the IDB Office of Institutional Integrity.
- 3.7 The execution mechanism is financial intermediation through the executing agency, COFIDE, which will implement the program under its existing organizational structure (paragraph 3.1), taking advantage of its various national financial intermediary institutions and its experience in supporting the provision of technical assistance.
- 3.8 **Audits.** COFIDE will submit annual and final program financial statements, audited by an independent auditing firm in accordance with the procedures governing the executing agency as stipulated by the Office of the Comptroller General of the Republic of Peru and in line with the Bank's procedures. The program audited financial statements will be submitted within the 120 days following the close of each fiscal year, and the final audited financial statements will be submitted within 120 days after the date of the final disbursement or extensions thereto.
- B. Arrangements for monitoring and evaluation of results**
- 3.9 **Monitoring.** The program will follow IDB standards for monitoring investment operations. COFIDE will periodically report evolution of the indicators to the IDB during the execution period, as established in the [monitoring and evaluation plan](#) and the program [Operating Regulations](#). COFIDE will be responsible for compiling, analyzing, and maintaining records of all information, parameters, and indicators agreed upon with the IDB, and for submitting annual reports within 60 days after the close of each cycle. Once the final disbursement has been made, COFIDE will submit a final report, required for IDB preparation of the project completion report.

- 3.10 **Evaluation.** The final evaluation will be completed in no more than six months after 100% of the funds have been disbursed. The proposed evaluation method is a before-and-after comparison of program indicators and a cumulative analysis based on the evidence available after execution. The frequency of measurements and scope of the information to be compiled for the indicators is detailed in Annex II and the [monitoring and evaluation plan](#).

Development Effectiveness Matrix		
Summary		PE-L1272
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
1. The Strategic Alignment tab in convergence shows alignment on IDB Group Strategic Priorities. The Results Matrix tab lists flagged CRF indicators		
2. The Strategic Alignment tab in convergence shows information on alignment to Country Development Objectives		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		8.1
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		1.6
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		8.4
5.1 Monitoring Mechanisms		2.8
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
6. Overall risks rate = magnitude of risks*likelihood		Medium Low
The Environmental and Social Data tab in convergence shows the environmental and social risk classification of the project		
IV. IDB's Role - Additionality		
Annex III Fiduciary Arrangements describes project reliance on the use of country systems (VPC/FMP Criteria)		
7. Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	In the context of recent operations executed by COFIDE, training and support actions were contemplated as part of technical cooperation ATN/TC-17909-PE, related to the IDB's financial management fiduciary policies.

PE-L1272

The pandemic caused the closure of 20% of MSMEs in Peru. MSMEs employ at least 62.6% of the economically active population. In 2020, some 30% of MSMEs had accessed credit, a greater percentage than usual given the temporary governmental expansion in credit in response to the crisis. The Peruvian financial system is one of the costliest in LAC and the world, with spreads between loan rates and deposit rates as high as 14.4% - much more than the LAC average (8.7%) and the OECD average (3.3%). Furthermore, microenterprises in Peru have a productivity that is 20% lower than those firms that employ at least 50 workers and they also tend to invest less. The program diagnostic delineates both demand and supply factors that cause this, including restricted access to finance. Particularly for women, there is evidence that they face greater barriers than their male counterparts in accessing firm credit – only 32% have taken loans relative to 41% of male companies. Estimates from IFC show that at least 30,000 MSMEs led by women face restrictions in accessing credit. When it comes to financial know-how there is also a gap of 8% vis-a-vis their male counterparts and female owned MSMEs are more likely to lack credit histories completely. When women led MSMEs do access credit international evidence shows they are better loan payers and that with financing they tend to expand operations. In this context, the general development objective of the program is to foment inclusive income growth in Peru. The specific objective is to support financing availability for productive investment by MSMEs, with a special emphasis on those led by women. The program will inject US\$100MM through a national development bank in a second-floor scheme and 60% of resources are destined to women led MSMEs. The vertical logic is coherent and among others the main medium-term outcomes include: (i) the size of the relevant portfolio supported; and (ii) the average percent of loan placement destined to women-led-MSMEs by a representative sample of financial intermediaries supported. The cost benefit analysis shows the program is of net benefit to society and at closure a before-an-after evaluation of the main results will be used to assess the program.

RESULTS MATRIX

Project objective:	The specific development objective of this operation is to support increased financing for productive investment by MSMEs, with a special emphasis on women-led ones. Achievement of this objective will contribute to the general development objective of fostering inclusive income growth in Peru.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Base-line year	Expected year of achievement	Target	Means of verification	Comments
General development objective: To foster inclusive income growth in Peru							
Average annual sales growth of the beneficiary MSMEs	%	2.6	2022	2026	9.4	COFIDE/IDB	The financing of MSMEs in general is expected to contribute to their medium- to long-term annual sales growth. The indicator target was estimated based on the impact assessment of a similar program in Argentina. See the economic analysis .
Average annual sales growth of the beneficiary women's MSMEs	%	2.6	2022	2026	7.8	COFIDE/IDB	The financing of MSMEs in general, and of women-led MSMEs in particular, is expected to contribute to their medium- to long-term annual sales growth. The indicator target was estimated based on assumptions developed in the economic analysis .

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline value	Baseline year	End of project (2026)	Means of verification	Comments
Specific development objective 1: To support increased financing for productive investment by MSMEs, with a special emphasis on women-led ones						
COFIDE portfolio allocated to financing MSMEs through the financial intermediary institutions	US\$ millions	316	2021	373	COFIDE	This indicator measures the evolution of the total amount of the COFIDE portfolio allocated to financing MSMEs similar to the program beneficiaries through the financial intermediary institutions. The loans financed may be for investments or for investment-associated working capital. The portfolio will include loans financed with IDB funds as well as with other resources. Due to the COVID-19 crisis and the response programs, the portfolio shrank unexpectedly in 2020 and showed atypical growth in 2021 and 2022. Nevertheless, COFIDE anticipates fewer loans, due to the COVID-19 response, and a return to the pre-2020 trend. In this context, the program will help offset the expected post-2022 drop in lending. Likewise, it is important to emphasize that not all the loan recoveries will be re-allocated to new operations. Given this, the baseline was calculated based on the portfolio average from 2017 to 2019. The target equals the COFIDE projections for 2026. The indicator will be measured at the financial intermediary level at the time of the project completion report. See the monitoring and evaluation plan .
Average percentage of a sample of the portfolios of the financial intermediary institutions financed by COFIDE with program resources, allocated to financing women-led MSMEs	%	44.5	2022	55	COFIDE/financial intermediary institutions	Pro-gender indicator. This indicator will measure the average percentage of loans to women's MSMEs over the entire MSME portfolio of the financial intermediary institutions participating in the program. The percentages will be measured on loan amounts. If this information is not available for all the participating financial intermediary institutions, the indicator will be calculated based on a significant sample thereof. The baseline was

Indicators	Unit of measure	Baseline value	Baseline year	End of project (2026)	Means of verification	Comments
						obtained from information gathered by COFIDE on current financial intermediary placements. The target was calculated based on the expected percentages. The indicator will be measured at the financial intermediary level at the time of the project completion report. See the monitoring and evaluation plan .
Average ratio of arrears in the MSME portfolio of the financial intermediary institutions receiving program resources over the average rate of default on loans to MSMEs in Peru	Ratio	1.02	2022	1.02	SBS/BCRP/Financial intermediary institutions	The numerator of this indicator is equal to the average arrears in the MSME portfolios of the financial intermediary institutions that receive program funds. The denominator equals the system's average arrears for the MSME sector in Peru. If this information is not available for all the participating financial intermediary institutions, the indicator will be calculated based on a significant sample thereof. To calculate the baseline, the average portfolio of loans to MSMEs from municipal savings and loan associations, financial institutions, and full-service banks (6.84) was divided by the financial system's estimated arrears (6.7), not including Reactiva loans. This relationship between the two rates is expected to at least be maintained during the life of the project. An end-of-project value of less than the baseline would mean that the indicator has evolved positively. The indicator will be measured at the financial intermediary level at the time of the project completion report. See the monitoring and evaluation plan .

OUTPUTS

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Component 1: Financing for women's MSMEs (US\$60 million)										
Program resources allocated to provide financing for women's MSMEs	US\$ millions	0	2022	15	15	15	15	60	COFIDE	Pro-gender indicator
Component 2: Productive financing for MSMEs (US\$40 million)										
Program resources allocated to provide productive financing for MSMEs	US\$ millions	0	2022	8.75	8.75	8.75	8.75	35	COFIDE	
Program resources allocated to provide climate-related productive financing to MSMEs	US\$ millions	0	2022	1.25	1.25	1.25	1.25	5	COFIDE	

Country: Peru

Division: IFD/CMF

Operation no.: PE-L1272

Year: 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Corporación Financiera de Desarrollo S.A. (COFIDE)

Operation name: Financing Program for Women Entrepreneurs in Peru

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the project

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input checked="" type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External Control	<input type="checkbox"/> Individual Consultants	

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Special features of fiduciary execution	The program executing agency will be COFIDE, a Peruvian state-owned company with mixed shareholdings organized in the form of a public limited company, with the authority to carry out all financial intermediation activities permitted by law. COFIDE attracts financial resources from foreign and domestic organizations and banks, as well as through the international and local capital markets, to provide financing through international and national intermediary financial institutions, so as to promote and finance productive investment and infrastructure throughout the country.
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3. Fiduciary capacity

Fiduciary capacity of the executing agency	COFIDE's institutional capacity ¹ is considered to be adequate for satisfactory project execution, with a low associated fiduciary risk. COFIDE is currently serving as the executing agency for operations 5249/OC-PE and 5356/OC-PE , whose execution arrangements are similar to the ones that will be used in this operation. Actions to strengthen COFIDE were carried out under technical cooperation operation ATN/TC-17909-PE , and therefore no additional actions are planned for execution of this operation.
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¹ COFIDE's institutional capacity was assessed in 2019 as part of operation [5249/OC-PE](#).

4. Fiduciary risks and risk response

Area(s)	Risk	Risk level	Risk response
Economic-financial	Negative exchange-rate conditions in the short term and continued volatility could lead to an imbalance in the program accounts, as IDB loans are denominated in United States dollars and the loans to the end borrowers are expected to be disbursed mostly in local currency.	Medium-high	The IDB will ensure that COFIDE is well-informed about strategies to cover this risk as well as sufficiently connected with other financial institutions willing to maintain local positions in United States dollars.

5. Policies and guidelines applicable to the operation: Financial Management Guidelines for IDB-financed Projects (OP-273-12).

6. Exceptions to policies and guidelines: None.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Exchange rate: For the rendering of accounts, the applicable exchange rate will be the rate on the effective date on which the borrower or the executing agency makes the respective payments to the contractor, provider, or beneficiary.
Audits and program financial statements: Annual financial statements for the program, duly issued by an independent auditing firm in accordance with the procedures governing the executing agency as stipulated by the Office of the Comptroller General of the Republic of Peru and in line with the Bank's procedures. Annually, within 120 days following the close of each fiscal year, and 120 days after the end of the original disbursement period or extensions thereto. The terms of reference will be agreed upon previously with the Bank.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Procurement supervision	The project is structured under the global credit modality, through which funds will be provided to COFIDE to rediscount eligible loan operations through financial intermediaries, which will allocate them to legal entities or individuals engaged in activities compatible with the program Operating Regulations (second-tier operations). Consequently, the provisions specified in paragraph 3.13 of the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and, therefore, current business- or private-sector practices will apply, without prejudice to the contents of Section I of the policies.
<input checked="" type="checkbox"/>	Records and files	The COFIDE Finance Management will be responsible for maintaining program records and files. Program reports will be prepared and submitted using the official disbursement request forms, on which the subloans will be listed by the rediscounted loans together with the program financing.

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

☒	Programming and budget	The management policy framework approved by COFIDE defines the budgetary and financial procedures, including accounting and treasury. The Planning and Control Deputy Management Division, which reports to the Finance Management, is responsible for managing the budget. Budget management is extrabudgetary, meaning that it is not included in the national administrative budget. COFIDE administers its own resources, which come from several sources: capitalization, deposits, issuance of negotiable bonds, international bonds, and loans with external financing.
☒	Disbursements and cash flow	<p>COFIDE's disbursements of program resources to the accredited financial intermediary institutions for the provision of subloans for eligible investments will constitute expenditures for the purpose of substantiation to the IDB. Program funds will be committed and disbursed to COFIDE within the established distribution period, in accordance with IDB policies, and based on a committed portfolio (reimbursements) or projected portfolio (advances), of at least 80%. In all cases, the portfolio of subloans to be recognized by the program will be subject to IDB review before disbursement.</p> <p>Disbursement requests must be submitted with a list of eligible rediscounted loans, as indicated in the program Operating Regulations. COFIDE will prepare the disbursement schedule annually. The programming that substantiates the disbursement will cover periods of up to six months.</p> <p>COFIDE will open two bank accounts exclusively for the project: (i) one in United States dollars, in which it will receive the operation funds; and (ii) one in local currency, which it will use to convert the funds into local currency.</p>
☒	Accounting, information systems, and generation of reports	COFIDE's accounting system will be used for program accounting. This system integrates the various aspects of planning, budgeting, accounting, and treasury. The financial statements are extracted from the CORE SAP. The Finance Management is responsible for processing the accounting records and generating COFIDE's and applicable third parties' financial statements, pursuant to the regulations formulated by the SBS and established by the National Fund to Finance Government Business Activity (FONAFE). Program financial statements will be prepared separately, as established in the Financial Management Guidelines for IDB-financed Projects (OP-273-12) and the Bank's instructions for audited financial statements and external audit management.
☒	Internal control and auditing	COFIDE has an internal audit unit and an internal control body, which help manage corporate control in the best possible way. The internal audit unit works independently, reporting to the COFIDE board of directors, to provide security and advisory services to improve the entity's operations. The unit adheres to the provisions of the General Law on the Financial and Insurance Systems and the Organic Law on the SBS and the internal auditing rules and regulations.

<input checked="" type="checkbox"/>	<p>External control: external financial auditing and project reports</p>	<p>An independent external auditing firm acceptable to the Bank, which will verify execution of the resources and eligibility of program expenses, and potentially will also review the program beneficiaries. The program auditor may be the same company that audits COFIDE's financial statements, in order to ensure a comprehensive vision of the control and management of the executing agency's project. The terms of reference for the audit service will receive the IDB's no objection, and will include specific sections for this operation. COFIDE will be responsible for contracting, which will be done in accordance with the procedures governing the executing agency as stipulated by the Office of the Comptroller General of the Republic of Peru and in line with the Bank's procedures.</p>
<input checked="" type="checkbox"/>	<p>Project financial supervision</p>	<p>The following activities are planned: review of the portfolio with the executing agency twice a year, review of disbursement requests, and annual financial supervision visits. The supervision plan may be adjusted based on program execution and the external audit reports.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Peru. Loan ____/OC-PE to the Republic of Peru. Financing Program
for Women Entrepreneurs in Peru

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Peru, as borrower, for the purpose of granting it a financing to cooperate in the execution of the Financing Program for Women Entrepreneurs in Peru. Such financing will be for the amount of up to US\$100,000,000 from the resources of the Bank's Ordinary Capital and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2022)