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MULTILATERAL INVESTMENT FUND
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*Request to Use Funds from the
Program for Microfinance Recovery after Natural Disasters*

PERU

**MICROENTERPRISE RECOVERY FOLLOWING THE SOUTHERN
PERU EARTHQUAKE OF 23 JUNE 2001**

(TC-01-07-00-5)

DONORS MEMORANDUM

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CONTENTS

EXECUTIVE SUMMARY

I.	COUNTRY AND PROJECT ELIGIBILITY.....	1
II.	FRAME OF REFERENCE	1
	A. The emergency situation	1
	B. Description and estimate of damage to microenterprise	1
	C. Demand: A description and estimate of damage to microfinance institutions....	2
	D. Supply: Resources available for meeting microenterprise and MFI needs	5
	E. Sizing of the operation	6
	F. Lessons from the Central American Microenterprise Recovery Program ("Hurricane Mitch Program")	6
III.	THE PROJECT.....	7
	A. Objective	7
	B. Request on behalf of Peru	7
	C. Description	8
	1. Reimbursable component.....	8
	2. Nonreimbursable component	9
	D. Beneficiaries.....	10
	E. Cost and financing.....	10
IV.	PROJECT EXECUTION.....	10
	A. Project execution and administration.....	10
	1. Responsibility at headquarters	10
	2. Responsibility of the Country Office	11
	3. Formalizing credit transactions and disbursements	11
	B. Monitoring and evaluation	11
V.	EXCEPTIONS TO BANK POLICY	12

ANNEXES

Annex I	Comparative table of microfinance enterprises in Peru
Annex II	Request from the Peru Country Office to use resources from the MIF Program for Microfinance Recovery after Natural Disasters

INFORMATION AVAILABLE IN THE SDS/MSM TECHNICAL FILES

Preparation:

- √ Request submitted by the IDB Country Office in Peru
- √ Program of Microfinance Recovery after Natural Disasters (MIF/AT-337)
- √ Tables and preliminary information on estimates of the earthquake's impact on clients and portfolios, submitted by Peruvian MFIs

ABBREVIATIONS

CMAC	municipal savings and loan bank
COFIDE	Corporación Financiera de Desarrollo, S.A.
CRAC	rural savings and loan bank
EDPYME	small business and microenterprise development entity
MFI	microfinance institution
NGO	nongovernmental organization
USAID	United States Agency for International Development

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EXECUTIVE SUMMARY

Requester:	IDB Country Office in Peru	
Executing agencies:	Peruvian microfinance organizations	
Financing:	Reimbursable:	US\$1,500,000
	Nonreimbursable:	US\$ 135,000
	Total:	US\$1,635,000
	Funding will be provided under operation MIF/AT-337, approved 12 June 2000 by Resolution MIF/DE-26/00.	
Terms and conditions:	Amortization period:	up to 5 years
	Grace period:	up to 1.5 years
	Interest rate:	variable
Execution timetable:	Execution period:	6 months
	Disbursement period:	12 months
Objectives:	The general objective of the project is to establish a mechanism to guarantee the availability of contingency resources that are readily accessible for use in emergencies, to: (i) contribute to the recovery of microenterprises in areas affected by the earthquake, the tidal waves and their aftermath; and (ii) support private microfinance institutions, both regulated and unregulated (hereafter MFIs), in the affected zones by assuring them access to the liquidity needed to develop mitigation mechanisms to bolster their clients and their own financial and operational sustainability.	
Size of the operation:	Taking into account the characteristics of Peru's MFIs and the resources available to the sector (see paragraphs 2.8 to 2.14), the Country Office is requesting US\$1,635,000 from the Program for Microfinance Recovery after Natural Disasters (MIF/AT-337), to meet the credit needs of microenterprises affected by the earthquake and tidal waves. Given the shortage of other funds to support this sector, the MIF resources will be crucial to helping MFIs to meet the credit needs of clients who have been affected by this natural disaster.	

Description: The project consists of a microenterprise lending facility, channeled through private MFIs.

The project will have two components: (i) a reimbursable component, consisting of funds for lending to microenterprises affected by the earthquake and tidal waves; and (ii) a nonreimbursable component, consisting of project administration funds.

Reimbursable component (US\$1.5 million)

The reimbursable resources of this project will be used to finance new lending needed to reactivate microenterprise output in the affected zones. The MFIs receiving these resources will use them to make loans exclusively within the disaster zones, although credits may be extended to microentrepreneurs located outside the area but whose activities have been affected by the emergency. Only those businesses that were MFI clients at the time of the earthquake will be served (see paragraph 3.6).

Nonreimbursable component (US\$135,000)

The nonreimbursable resources of the project will be used by the Country Office in Peru and by SDS/MSM for outsourcing the following activities: (i) adapting MFI selection criteria to Peruvian conditions; (ii) helping MFIs to prepare and substantiate their proposals; (iii) random supervision of the client selection and approval process used by the MFIs; and (iv) assessing project performance (see paragraph 4.11).

Beneficiaries: The principal beneficiaries under this project will be the microenterprise clients of Peruvian MFIs that were affected by the earthquake and tidal waves that occurred in June 2001. The intent is to give these microentrepreneurs standing access to the credit needed to reactivate their productive activities.

Benefits will also flow to private, formally registered Peruvian MFIs (both regulated and unregulated) that offer financial services for microenterprise, which may continue to offer such services after the crisis caused by these natural disasters.

Exceptions to Bank policy: The project team recommends that, as an exception to the 5.42% ceiling established in document MIF/AT-337 for allocating resources of the nonreimbursable component of the emergency recovery program, authorization be given to allocate up to 9%, in order to make the necessary funding available for ensuring the quality and coverage of the project's activities (see paragraph 5.1).

I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 The Donors Committee declared Peru eligible for all forms of financing under the Multilateral Investment Fund (MIF) on 14 December 1993. The proposed project is consistent with MIF provisions to support microenterprise and small business, and meets the criteria and the operating regulations established for the Program for Microfinance Recovery after Natural Disasters (MIF/AT-337), approved on 12 July 2000.

II. FRAME OF REFERENCE

A. The emergency situation

- 2.1 On Saturday, 23 June 2001, at 3:33 p.m., an earthquake registering 6.9 on the Richter scale struck Peru. Its impact was felt most severely in the southern part of the country, and in particular in the departments of Arequipa, Tacna and Moquegua. The earthquake also unleashed a tidal wave in the vicinity of the town of Camaná, destroying housing, crops and fishing equipment and flooding some 2,500 hectares of farmland. The initial quake has been followed by a series of 140 aftershocks to date, with the strongest located to the southeast of the principal tremor.
- 2.2 Two days after the earthquake, the national government declared a state of emergency in the zone and appealed to the international community for assistance. The President of the Council of Ministers established two working commissions with the joint objective of restoring the areas affected by the disasters: (i) the National Rehabilitation Commission; and (ii) the Emergency Executive Commission.
- 2.3 Given the state of national emergency, the Bank's Country Office in Peru, in accordance with the operating regulations of the MIF Program for Microfinance Recovery after Natural Disasters (MIF/AT-337), sent a memorandum to SDS/MSM requesting the MIF Donors Committee to authorize use of program funds to assist microenterprises affected by the Peruvian earthquake and tidal waves (see Annex II). The project proposed herein is a response to that request.

B. Description and estimate of damage to microenterprise

- 2.4 A microenterprise is defined in Peru as a business with fewer than 10 workers, and up to US\$20,000 in total assets. According to the National Statistics and Research Institute, there are more than 3.1 million microenterprises in the country, accounting for nearly 40% of gross domestic product and employing 74% of the workforce. It is estimated that more than 80% of microenterprises are located in the country's urban areas.

- 2.5 The National Civil Defense Institute (INDECI) estimated damage in the total area affected to 2 July 2001, as follows: (i) total population affected to varying degrees: 213,430; (ii) 118 persons killed, 69 missing and between 2,700 and 4,000 injured; (iii) 59,000 dwellings damaged or destroyed; (iv) 409 km of irrigation canals damaged, serving 106,000 hectares under cultivation; and (v) 700 kilometers of the Pan American Highway and 91 kilometers of rural roads damaged. Although there are no official statistics available on the impact of the earthquake and tidal waves on microenterprise, in this area preliminary information supplied to the Bank by various MFIs active in the zones affected suggest that the disasters have caused damage in varying degrees to between 7,000 and 10,000 small economic units. Assuming average assets of US\$5,000 for each unit affected, it is estimated that the total assets of microenterprises affected by the disasters will exceed US\$35 million.
- 2.6 Apart from the *direct* damage to business premises, housing, workshops, inventories and working capital, many economic units suffered *indirectly* from the earthquake and the tidal waves in ways that have had just as severe an impact on their economic activity, revenues and profits. For example, to the extent that people now give priority to reconstruction spending, there is expected to be a sharp drop in domestic demand, leading to a decline in sales for all businesses, and in commercial activity in general. At the same time, price increases have been observed for various products, particularly food and perishable goods, reflecting disruptions and higher costs in the transportation system. These factors pose serious difficulties to microenterprises and reduce their capacity to honor their financial commitments.
- 2.7 Other micro and small enterprises have seen their business affected through the damage caused to their clients, suppliers and third parties. This is especially the case with handicrafts, tourism (hotels, restaurants, etc.), and transportation-related businesses, which have suffered from the abrupt drop in consumption and tourism in the area. As well, microenterprises that market their output in the southern part of the country currently face great difficulties in recovering payment for goods sold on credit and perishable consignments in transit. Moreover, hundreds of small-scale, irrigation-dependent farmers have found their wells collapsed or plugged, severely limiting their potential crop output and hence their revenues, profits and payment capacity.

C. Demand: A description and estimate of damage to microfinance institutions

- 2.8 Peru's microfinance entities report that the earthquake and tidal waves have had a negative impact on their loan portfolios, as clients are unable to fulfill their credit and savings contracts because of bankruptcy, permanent or temporary disappearance, loss of employment, loss of productive assets and goods, and their dependence on a chain of payments that has been disrupted by the drop in economic and business activity. In many cases, all or portions of the portfolios may have to be classified as unrecoverable or at risk.

- 2.9 Annex I contains a list of some of the MFIs operating in the zones hardest hit by the emergency and that could potentially meet the generally eligibility criteria stipulated for program MIF/AT-337, as summarized in paragraph 3.8.
- 2.10 The Peruvian microfinance system consists of five major kinds of entities.¹ The following paragraphs summarize the estimated impact on each of the five categories. It can be concluded from this information that there are six or seven MFIs that may need additional resources to address the impact of the natural disasters in their area. For greater information on the estimated impact on some of the MFI portfolios in the affected zones, see Annex II.
- a. **Banks.** There is only one bank specialized in meeting the financial needs of the micro and small enterprise sector, Mi Banco, which accounts for approximately 10% of the Peruvian microfinance market. Even though Mi Banco has no operations in the zone affected by the disasters, other banking entities serve microenterprise through what are primarily consumer loan entities (Financiera Solución and Banco del Trabajo). Financiera Solución conducts business in Arequipa, but there is no information on the extent to which its portfolio has been affected by the natural disasters.
 - b. **Municipal savings and loan banks (CMAC).** Nationwide there are 14 entities belonging to municipal governments and doing business primarily in urban areas: they account for approximately 58% of the microfinance system. Only the Tacna and Arequipa CMACs are active in the areas affected by the earthquake and tidal waves. The Tacna CMAC estimates that the disasters have caused portfolio losses of more than US\$95,000 (46 clients), and expects to have to refinance about US\$565,000 (580 clients), out of a total of 15,135 clients and a total portfolio of US\$9.3 million. The Arequipa CMAC estimates that 12% of its microenterprise portfolio has been affected by the earthquake, involving 2,800 clients and a portfolio of more than US\$3.7 million. However, these two CMACs are felt to have sufficient liquidity to meet their clients' needs without recurring to additional external funds.
 - c. **Rural savings and loan banks (CRAC).** There are 12 privately owned CRACs in the country, active primarily in rural areas, managing a gross portfolio of US\$63 million (December 2000), and accounting for 23% of the microfinance system. Only the CRAC del Sur (Cajasur) operates in areas affected by the earthquake. Cajasur has not provided any information about the impact on its clients and portfolio. Nevertheless, since a significant percentage of its portfolio is located in rural areas affected by the earthquake, it is estimated more than 10% of its US\$7 million portfolio may have been damaged.

¹ Information from *Mapeo de Instituciones Microfinancieras del Perú*, June 2000. CYRANO Management S.A. and Colcami.

- d. **Small business and microenterprise development entities (EDPYME).** The country has 10 EDPYMEs, accounting for approximately 10% of the microfinance system. In the departments of Arequipa and Tacna, there are five EDPYMEs: PROEMPRESA, EDYFICAR, CREAR Arequipa and Nueva Visión, in the department of Arequipa, and CREAR Tacna in the department of Tacna. The total portfolios in these locations amount to between US\$700,000 and US\$3.8 million. Four of these EDPYMEs have received technical cooperation from the MIF through the Line of Activity for Strengthening Microenterprise Financial Institutions.² All of the EDPYMEs have seen their portfolios affected by the earthquake: they report that between 10% and 25% of their clients have suffered damage or loss to their business and commercial activity. For example, CREAR Tacna reports that 19% of its portfolio in Tacna and 53% of its portfolio in Moquegua, amounting to a total of US\$880,000, has been affected. The nonperforming portion of its portfolio rose from 6.5% to 11% in the weeks following the earthquake. EDYFICAR has identified 258 clients (21% of the total in the area) as directly affected, involving loans of more than US\$310,000.
 - e. **Nongovernmental organizations (NGOs).** In the areas affected by the earthquake, only one NGO has a portfolio of as much as US\$500,000, the minimum required to participate in the recovery program. There is no information on the effects of the earthquake on its portfolio and clients.
 - f. **Savings and loan cooperatives.** Although cooperatives are legally recognized in Peru, they are not significant players in providing financing to the micro and small enterprise sector. In fact, there is no record of any cooperative serving that sector in the zone affected by the earthquake.
- 2.11 Although the majority of MFIs have *not* received any assistance in how to deal with natural disasters, they are aware that they must take steps to minimize risks and losses to their loan portfolios during such events. There is a consensus among microcredit organizations to the effect that: (i) after a natural disaster they must not forgive loans; and (ii) loans made immediately after a natural disaster are less likely to be recovered. Primarily for these two reasons, Peruvian MFIs tend to follow a strategy of reprogramming some existing loans and increasing others, depending on each case. They believe that new liquid resources will be extremely important in meeting demands for credit to reactivate microenterprises affected by the earthquake.
- 2.12 To meet this increased demand for credit under these special conditions, many Peruvian MFIs will need liquid resources. In the wake of a natural disaster, MFI access to liquidity constitutes one of the greatest difficulties, since: (i) some of their clients will be unable to make payments on schedule; (ii) some outstanding loans

² EDYFICAR, PROEMPRESA, CREAR Arequipa, and CREAR Tacna.

will be reprogrammed; and (iii) clients' deposits in their savings accounts will tend to decrease.

D. Supply: Resources available for meeting microenterprise and MFI needs

2.13 Compared to this estimated demand, the projected resources available for meeting it are scarce. Through meetings with the principal national and international players involved in financing the microenterprise sector in Peru, the project team has compiled the following information on the resources that would potentially be available for meeting the credit demands of microenterprises.

- a. *Corporación Financiera de Desarrollo S.A. (COFIDE)*, the government's second-tier financial entity that channels funds from the IDB Microglobal programs, and others, has not earmarked any specific line of credit for meeting demands of the MFIs affected. It is, however, considering the possibility of restructuring the loans that it currently has in place with the financial intermediaries affected, which are limited to a ceiling of 100% of each MFI's net worth. Resources from the Bank's Microglobal Program are fully allocated, and are lent to regulated MFIs at a term of five years, with one year grace and interest at approximately 8%.
- b. *The Agency for International Development (USAID)* will not have any fresh funding for new loans or grants to MFIs affected by the emergency. It is channeling its support to the microenterprise sector primarily through NGOs working with "antipoverty loans" (community banks), none of which have portfolios of more than US\$500,000, and none of which are active in the zone affected by the earthquake. USAID's technical assistance program, coordinated by the NGO Consortium for Small and Microenterprise (COPEME), provides funding for training and advisory services targeted primarily at lending NGOs and EDPYMEs.
- c. *The Spanish Agency for International Cooperation (AECI)* has a low-cost housing line of credit (*Habitat Productivo*) which is channeled through COFIDE. It provides financing with a seven-year term, two years' grace, and has a balance of approximately US\$5 million available for allocation. AECI has indicated that its support to microenterprises and MFIs affected by the emergency will be limited to these resources, which may be used for reconstruction, improvement and rehabilitation of productive or residential structures.
- d. *The Latin America Challenge Investment Fund (LACIF)* has no funds immediately available to meet possible demands from MFIs affected by the emergency. The Swiss Agency for Development and Cooperation is providing direct assistance to affected families in the form of blankets, food and other

basic needs, as well as funds for reconstructing affected communities, but it will have no specific resources for affected microenterprises and MFIs.

- e. A supreme decree by the *National Government* has authorized the *Mi Vivienda* Fund to provide financing through the financial system for reconstructing dwellings damaged by the earthquake. That fund is expected to have available up to 100 million new soles (approximately US\$28 million), which it will lend to clients in amounts of 6,000 new soles each (US\$1,714) at a term of 20 years and an annual interest rate of 1%.

- 2.14 The available information suggests that: (i) there is no **supply of funding** earmarked to meet the credit needs of MFI microenterprise clients for purposes of reactivating economic activity; and (ii) **there will be limited funding available** specifically for the **reconstruction of microenterprise premises**.

E. Sizing of the operation

- 2.15 Bearing in mind: (i) the analysis of the natural disasters' impact on the microenterprise sector; (ii) the preliminary information gathered on MFIs (mainly EDPYMEs, CRACs, and NGOs) whose portfolios were affected by the disasters; and (iii) the scarcity of other resources earmarked to meet the demands of clients and MFIs, it would be prudent for the MIF to allocate an amount of US\$1.5 million for this project. The MIF funds would help to in reactivating production, replacing assets and inventories, and reprogramming the financial commitments of microenterprises affected by the disasters; it does *not* include additional requirements for rebuilding damaged or destroyed housing.
- 2.16 The project proposed here would be in addition to the funds available within Peru to support microenterprises, which are targeted primarily at the reconstruction of microenterprise premises, and would provide Peruvian MFIs, regulated and unregulated alike, with the liquid resources needed to cope with the crisis in the sector.

F. Lessons from the Central American Microenterprise Recovery Program ("Hurricane Mitch Program")

- 2.17 The Hurricane Mitch Program was executed by a group of MFIs in El Salvador, Nicaragua, Honduras and Guatemala. That program provided a number of lessons, in particular the following: (i) for decentralized projects of this type, the best administrative mechanism at the level of the Country Office is the delegated or "outsourcing" approach; (ii) the maximum loan per MFI should not exceed US\$300,000; (iii) recovery is most successful when the MFIs work primarily with current clients, rather than taking on new ones; (iv) interest rates charged by the MIF should be set in relation to the financial market, which is the natural source of funding for financial intermediaries, so as to ensure that such funding, which is

clearly of a contingency nature, is used not to build up subsidized capital but to ensure the liquidity needed to continue servicing clients.

- 2.18 The Program for Microfinance Recovery after Natural Disasters (MIF/AT-337) was established in light of the demonstrated effectiveness of the Hurricane Mitch Program in alleviating working conditions for microenterprises, by contributing to the sustainability of the most important microfinance institutions in the affected zones of Central America. The proposed project seeks an amount of US\$1,635,000 as a charge to the Recovery Program.
- 2.19 The Program for Microfinance Recovery after Natural Disasters (MIF/AT-337) was approved in July 2000, but to date only one country, El Salvador, has submitted a request for funding.³ Unfortunately, it is too early to draw any lessons from that experience, since it was only approved in August 2001. As part of the Recovery Program, the Bank, is currently preparing manuals to help MFIs cope with emergency situations. These manuals will become available to Peruvian MFIs during the third quarter of this year.

III. THE PROJECT

A. Objective

- 3.1 The general objective of the present project is to establish a mechanism to guarantee the availability of contingency resources that are readily accessible for use in emergencies, to: (i) contribute to the recovery of microenterprises in areas affected by the earthquake, the tidal waves and their aftermath; and (ii) support private microfinance institutions, both regulated and unregulated (hereafter MFIs), in the affected zones by assuring them access to the liquidity needed to develop mitigation mechanisms to bolster their clients and their own financial and operational sustainability.
- 3.2 In financing this project, the MIF would be supplementing the Bank's policy for dealing with emergencies arising from natural and unexpected disasters (document GP-92-14).

B. Request on behalf of Peru

- 3.3 Taking into account the characteristics of Peru's MFIs and the resources available to the sector (see paragraph 2.8 to 2.14), the Country Office is requesting US\$1,635,000 from the Program for Microfinance Recovery after Natural Disasters (MIF/AT-337), given the scarcity of other funding to support the sector, MIF

³ TC-0103033-ES, "Recovery Program for the Microenterprise Sector Affected by the Earthquakes of 13 January and 13 February 2001", in the amount of US\$2,635,000.

resources will be critical in allowing the MFIs to meet the credit needs of clients who have been affected by these natural disasters.

C. Description

- 3.4 The project consists of a lending facility for microenterprise, channeled through private MFIs, regulated and unregulated. This credit facility offers the Bank a flexible mechanism for servicing microenterprises affected by the earthquakes. In addition, it will help ensure the survival of Peruvian MFIs which might otherwise suffer serious negative impacts if they do not have access to emergency funding.
- 3.5 The project will have two components: (i) a reimbursable component, consisting of funds for lending to microenterprises affected by the earthquake; and (ii) a nonreimbursable component, consisting of project administration funds.

1. Reimbursable component (US\$1.5 million)

- 3.6 The reimbursable resources of this project will be used to finance new lending to reactivate microenterprise output in the affected zones. MFIs will use these funds to make loans exclusively within the disaster zones, although credits may be extended to microentrepreneurs located outside the area but whose activities have been affected by the emergency. Only those businesses that were MFI clients at the time of the earthquake will be served
- 3.7 The terms and conditions under which the mechanism would operate are defined in the proposal for establishing a Recovery Program for Microfinance Institutions after Natural Disasters (MIF/AT-337), and include the following:

a. Eligible borrowers

- 3.8 Funding will be available to private financial institutions, regulated or not, that have at least 70% of their active portfolio in the microenterprise sector. Their portfolios must have a minimum value of US\$500,000, and must have been affected by the earthquake.
- 3.9 Special selection criteria will be included in order to mitigate the risk of project resources generating disincentives within MFIs that take deposits from the public or that have sufficient levels of liquidity to cushion the impact on their portfolios. These criteria will be part of the general criteria that the Country Office and consultants will adjust to conditions in Peru for the selection of MFIs to participate in the project (see paragraph 3.13). The criteria are expected to include maximum

indicators for percentages of external funding and liquidity, as well as a minimum indicator of portfolio in areas affected by the natural disasters.⁴

b. Amount

- 3.10 The maximum amount of credit to first-tier MFIs may not be greater than 20% of the MFI's liabilities, and in no case may exceed US\$300,000 equivalent. Regulated MFIs must meet eligibility conditions relating to their ability to mobilize savings. Surpluses and profits recorded by the MFIs as a result of Fund support must be reinvested in the microenterprise credit portfolio, and used for capitalizing the MFIs.

c. Terms and cost

- 3.11 The term of loans to MFIs will be five years, with a grace period of up to 1.5 years. The term and amount of each loan will be determined after assessing the impact of the emergency on each of the selected MFIs. Disbursements will be made in new soles. Consistent with the Operating Regulations of the MIF/AT-337 Program, the interest rate will be set by the Country Office. The rate charged is expected to be the annual reference rate of the COFIDE Microglobal Program, which at 30 June 2001, was 8%.
- 3.12 The MFIs, for their part, must provide loans to microenterprises located in the emergency zones, but they may also lend to microenterprises outside this zone, if their business has been affected by the emergency. The MFIs will set the amounts and terms of loans to microenterprises in accordance with their own lending rules and techniques.

2. Nonreimbursable component (US\$135,000)

- 3.13 The nonreimbursable resources of the project will be used by the Country Office in Peru for outsourcing⁵ the following activities: (i) adapting MFI selection criteria as established in the Regional Program MIF/AT-337 to Peruvian conditions; (ii) helping MFIs to prepare and substantiate their proposals; (iii) random supervision of the client selection and approval process used by the MFIs. In addition, SDS/MSM will use a portion of the nonreimbursable funds to contract a mid-term performance evaluation of the project (see paragraph 4.11).
- 3.14 To the extent possible, the Country Office will seek to establish cooperation arrangements with other possible donor/financing agencies for the implementation

⁴ The following indicators are suggested: (i) minimum of 10% of the MFIs total portfolio as of 23 June 2000 is to be located in the affected area; (ii) available funds/portfolio < 25% at the date of the request for funds; and (iii) other financial commitments (not including loans from the banking system) < deposits at the date of the request. This last indicator would apply only to MFIs authorized to take deposits from the public.

⁵ Outsourcing by Country Offices applies to the hiring of specialized consulting services.

of activities (i) and (ii) in order to ensure the most efficient allocation of resources possible.

D. Beneficiaries

- 3.15 The principal beneficiaries under this project will be the microenterprise clients of Peruvian MFIs that were affected by the earthquake and tidal waves that devastated the country in June 2001. The intent is to give these microenterprises standing access to the credit needed to reactivate their productive activities.
- 3.16 Secondary benefits will accrue to private MFIs formally registered in Peru, whether regulated or not, that provide financial services to microenterprise, by allowing them to continue providing their services in the wake of these natural disasters.

E. Cost and financing

- 3.17 A total of US\$1,635,000 is requested for the Peruvian project, from the MIF Program of Microfinance Recovery after Natural Disasters (MIF/AT-337), in accordance with the following budget:

Activity	Amount
Reimbursable component	\$1,500,000
• Credit facility	\$1,500,000
Nonreimbursable component	\$135,000
• Consulting services- Peru Country Office	\$120,000
• Evaluation – SDS/MSM	\$15,000
TOTAL	\$1,635,000

IV. PROJECT EXECUTION

A. Project execution and administration

1. Responsibility at headquarters

- 4.1 SDS/MSM will have basic responsibility at headquarters, will provide technical support to the project, and will conduct the project evaluation. In addition, SDS/MSM will assist in defining and establishing the minimum procedures and steps to be followed within the Bank, together with other departments involved in the process.
- 4.2 The Financial Department will be responsible for delivering the amortization schedules for individual transactions, and the collection procedures. The Legal

Department will examine the eligibility of applicant institutions, and will prepare the required agreements.

2. Responsibility of the Country Office

- 4.3 Given the emergency nature of this project, execution will be decentralized in order to provide a swift approval and disbursement mechanism, as was done with the Hurricane Mitch program.
- 4.4 For the nonreimbursable component, the Country Office will hire specialized consultants to undertake the activities described in paragraph 3.13.
- 4.5 As stipulated in the Recovery Program, the Country Office in Peru will be responsible for: (i) establishing the interest rate to be charged, within the guidelines of MIF/AT-337; (ii) approving or rejecting financing requests for individual transactions submitted by the MFIs; and (iii) overseeing compliance with eligibility criteria and program objectives.

3. Formalizing credit transactions and disbursements

- 4.6 Once the project is approved, the Country Office, as stipulated in the Recovery Program, will issue a public invitation to MFIs to submit duly substantiated requests, together with their legal documents, within one month.
- 4.7 The request for support must be accompanied by the following documents: (i) an action plan for each entity, describing its current institutional and financial status and the mechanisms planned for maintaining a healthy flow of funds to microenterprises, and for ensuring the recovery of those funds; (ii) a portfolio report, certified by an independent external accountant, identifying the portfolio affected by the natural disaster; and (iii) legal documentation on the institution, i.e. its statutes and certification of their validity.
- 4.8 Once all requests are received, the Country Office will select those that meet the eligibility criteria and will then prepare the respective operation plans. Subsequently, these plans will be submitted to the Internal Review Committee, membership of which will be determined by the Country Office, and which will include a microenterprise specialist and a finance specialist.
- 4.9 Once this project is approved, the Country Office will have six months to approve or reject request received. The disbursement period will be up to 12 months, counting from the date of project approval.

B. Monitoring and evaluation

- 4.10 The project will be monitored on the basis of the conditions established for each MFI. Moreover, each loan will include an earmarked portion of 3.5% for

contracting an independent public accountant, selected by the Bank, but contracted by the MFI, to conduct an external evaluation of the use of funds contributed by the project. If that evaluation should reveal that funds have been misused, or used for purposes other than those put forth in the request for support, the loan may be declared due and payable immediately. This condition shall be stipulated in the promissory note annexed to the loan agreements. In order to reduce the cost to MFIs participating in the project, reports by an independent public accountant will be considered valid.

- 4.11 SDS/MSM will use a portion of the nonreimbursable component to hire an external consultant to conduct an evaluation of the project, after 50% of the reimbursable component has been disbursed. This evaluation will consider: (i) a comparison of the financial situation and portfolios of beneficiary MFIs before the earthquake, at the end of July 2001, and at the time of receipt of the disbursement from the Bank under this project; (ii) MFI plans in support of microenterprise recovery; (iii) contingency plans developed by the MFIs to deal with the crisis; and (iv) execution of the project by the Country Office.

V. EXCEPTIONS TO BANK POLICY

- 5.1 The project team recommends that, as an exception to the 5.42% ceiling established in document MIF/AT-337 for allocating resources of the nonreimbursable component of the emergency recovery program, authorization be given to allocate up to 9%. The rationale for this recommendation is that, by applying this percentage to the proposed operation, the allocated amount would be less than the amount actually needed to provide a timely response and ensure the quality and coverage of the project's activities. Accordingly, an amount of up to US\$135,000 from the nonreimbursable component would be reallocated to the activities of technical support and monitoring proposed in the project.

COMPARATIVE TABLE OF MICROFINANCE ENTERPRISES – PERU
(in thousands of U.S. dollars)

December 2000														
		Assets	Gross portfolio	Savings	Liabilities	Net worth	Net Earnings	Active in areas affected by earthquake?	ROE	Assets/Liab ilities	ROA	Arrears>30d	Prvvis/Arrears>30d	Op.Earn/ Assets
Municipal S&Ls														
	Piura	74,921	41,628	40,661	67,448	7,473	2,199	No	31.9%	3.0	10.6%	3.7%	202%	44.5%
	Arequipa	53,706	38,619	37,829	47,786	5,920	1,552	Yes	31.5%	6.6	4.8%	3.3%	139%	7.8%
	Trujillo	26,427	18,614	16,012	21,094	5,333	1,055	No	29.4%	10.0	2.9%	5.8%	140%	6.9%
	Sullana	21,816	14,707	9,419	18,448	3,368	571	No	26.6%	6.3	4.2%	4.4%	113%	9.5%
	Cusco	20,111	12,708	15,273	17,020	3,091	770	No	26.2%	9.1	2.9%	4.6%	123%	10.0%
	Huancayo	16,582	11,501	8,558	13,948	2,634	701	No	25.3%	5.0	5.1%	8.5%	141%	20.5%
	Tacna	15,612	8,420	10,935	13,255	2,356	743	Yes	24.9%	6.5	3.8%	4.5%	132%	9.4%
	Ica	13,442	10,465	6,540	10,609	2,832	449	No	20.7%	4.4	4.7%	3.5%	136%	15.3%
	Lima	9,429	4,993	3,538	6,294	3,136	999	No	19.8%	5.0	4.0%	3.6%	155%	12.7%
	Maynas	7,077	4,657	2,867	5,457	1,620	335	No	19.0%	5.2	3.6%	3.7%	183%	15.8%
	Paíta	5,572	4,135	2,442	4,458	1,114	282	No	17.4%	4.4	4.0%	8.7%	111%	20.6%
	Santa	5,263	3,279	2,316	4,256	1,007	192	No	17.0%	6.5	2.6%	4.5%	190%	11.1%
	Pisco	2,205	1,342	1,137	1,701	504	88	No	15.8%	4.7	3.3%	6.0%	143%	12.5%
	Chincha	523	71	116	153	370	-11	No	-3.1%	1.4	-2.2%	9.2%	48%	31.9%
	Total	272,687	175,139	157,643	231,929	40,758	9,924		24.3%	6.7	3.6%	4.8%	141%	11.2%
DPYMES														
	Edýficar	13,944	11,719	0	10,466	3,478	320	Yes	24.8%	5.0	4.9%	6.1%	107%	14.8%
	Raiz	7,205	4,300	0	108	7,096	-128	No	19.1%	6.0	3.2%	4.6%	100%	11.5%
	Pro empresa	6,624	4,494	0	5,250	1,374	185	Yes	15.7%	4.0	3.9%	3.1%	140%	13.5%
	Crear Tacna	5,078	3,784	0	4,231	848	162	Yes	13.5%	4.8	2.8%	7.3%	104%	16.2%
	Crear Arequipa	2,747	2,270	20	2,199	548	136	Yes	9.2%	4.0	2.3%	7.8%	102%	15.4%
	Confianza	2,075	1,487	0	1,559	516	81	No	2.1%	2.1	1.0%	6.2%	112%	14.3%
	Nueva Visión	1,677	950	1	864	812	17	Yes	-1.8%	1.0	-1.8%	8.6%	35%	11.1%
	Solidaridad /I	1,510	770	0	1,087	423	-238	No	-7.0%	2.9	-2.4%	0.6%	249%	15.3%
	CREDIVISION /I	853	479	0	11	842	-90	No	-10.7%	1.0	-10.6%	0.2%	633%	18.5%
	Crear Cusco /I	827	646	0	541	286	-20	No	-56.3%	3.6	-15.8%	3.2%	74%	18.3%
	Total	42,538	30,898	21	26,315	16,223	424		2.6%	2.6	1.0%	6.7%	92%	14.3%
Banks														
	MIBANCO	45,710	37,015	9,438	30,606	15,104	1,245	No	8.2%	3.0	2.7%	1.7%	145%	17.9%
Rural S&Ls														
	San Martín	20,606	12,575	6,888	17,914	2,692	156	No	16.8%	9.6	1.8%	16.0%	85%	12.6%
	Señor de Luren	13,257	8,622	4,217	11,168	2,090	156	No	13.0%	6.3	2.0%	16.6%	65%	6.8%
	La Libertad	13,032	8,883	6,985	11,208	1,824	86	No	7.5%	6.3	1.2%	14.3%	81%	7.1%
	Del Sur	12,825	9,271	3,216	10,800	2,025	263	Yes	6.2%	7.4	0.8%	13.4%	83%	9.3%
	Pro finanzas	8,337	5,643	2,267	7,386	950	-206	No	5.9%	5.7	1.0%	11.1%	100%	9.4%
	Quillabamba	6,174	4,449	3,252	5,343	831	51	No	5.8%	7.7	0.8%	13.5%	98%	11.2%
	Cruz de Chalpón	5,453	4,050	2,495	4,885	568	95	No	4.7%	7.1	0.7%	14.1%	83%	9.8%
	Los Libertadores – Ayacucho	5,205	3,134	3,204	4,729	476	-91	No	4.1%	3.9	1.1%	15.9%	104%	19.5%
	Cajamarca	3,403	2,136	1,747	2,806	596	35	No	-4.6%	3.7	-1.2%	27.3%	63%	10.3%
	Chavín	2,843	1,906	551	2,108	736	30	No	-19.2%	10.9	-1.8%	18.9%	106%	10.4%
	Los Andes	2,283	1,839	223	1,672	611	-28	No	-21.7%	8.8	-2.5%	12.3%	92%	15.6%
	Prymera	1,672	869	179	1,098	574	-283	No	-49.4%	2.9	-16.9%	22.0%	68%	23.5%
	Total	95,090	63,378	35,224	81,117	13,973	263		1.9%	6.8	0.3%	15.0%	85%	10.5%
	Total System	456,026	306,430	202,326	369,967	86,059	11,855		13.8%	5.3	2.6%	6.7%	110%	12.0%

ANNEX II

MEMORANDUM

Country Office in Peru

File Classification: PO-PUS-FOMIN

In your reply please refer to this number

CPE-ME-01-0831

DATE: August 3, 2001

TO: Alvaro Ramirez
SDS/MSM

FROM: Vladimir Radovic
Representative

SUBJECT: PERU. Application to approve use of funds from the MIF program for Microfinance Recovery after Natural Disasters– TC-00-05-04-6-RG.

I. INTRODUCTION

1.01 The Donors Committee approved the Program for Microfinance Recovery after Natural Disasters on June 27, 2000, in the amount of US\$10 million. The objective of the recovery program is to establish a mechanism to guarantee the availability of contingency resources in support of countries that have suffered natural disasters. The program seeks to contribute to the recovery of microenterprises affected by such disasters, and to support private microcredit institutions, regulated or not, in developing mitigation mechanisms that will bolster their clients and their own financial and operational sustainability (document MIF/AT-337). Consistent with the Operating Regulations applicable to this program (Section I, 1.2 of Annex III), the Country Office submits for consideration of SDS/MSM and application requesting the Donors Committee to approve use of resources from the MIF program.

II. BACKGROUND

- 2.01 On Saturday, 23 June 2001, at 3:33 p.m., an earthquake registering 6.9 on the Richter scale struck Peru. Its impact was felt most severely in the southern part of the country, and in particular in the departments of Arequipa, Tacna and Moquegua. The earthquake also unleashed a tidal wave in the vicinity of the town of Camaná, destroying housing, crops and fishing equipment and flooding some 2,500 hectares of farmland. The initial quake has been followed by a series of 140 aftershocks to date, with the strongest located to the southeast of the principal tremor.
- 2.02 Two days after the earthquake, the national government declared a state of emergency in the zone and appealed to the international community for assistance. The President of the Council of Ministries established two working commissions with the joint objective of restoring the areas affected by the disasters: (i) the National Rehabilitation Commission (CMR); and (ii) the Emergency Executive Commission (CEF).

III. ESTIMATE OF DAMAGE

- 3.01 The earthquake has caused damage to the entire physical infrastructure, including housing, the principal access routes to the major cities, schools, hospitals and business premises. According to preliminary figures from the CEE, the earthquake has affected some 250,000 people.
- 3.02 Economic losses are estimated at more than US\$400 million. Nevertheless, the greatest impact has been felt by SMEs engaged in commercial and service activities: the most severely affected sectors are tourism, hotels, restaurants, shop windows, grocery stores, houseware shops, hardware stores, brickworks and bakeries.

3.03 Official sources indicate that, all told, losses to 2 July 2001, may be quantified in the following manner:

- 213,000 people affected.
- 59,000 dwellings damage or destroyed.
- 2,700 to 4,000 people injured.
- Damage to 700 kilometers of the Pan-American Highway.
- 118 people killed.
- 68 people missing.
- Damage to 409 km of irrigation channels serving 106,000 hectares of farmland.
- 91 kilometers of rural roads affected.

3.04 According to preliminary data supplied by various microfinance institutions (MFIs) active in the affected zones, the earthquake has caused direct damage to the means of production, business premises and inventories of micro and small enterprises.

3.05 SDS/MSM undertook a mission from 9 to 13 July to identify the impact of the earthquake on institutions that have programs of support for financial services to microenterprise. The mission visited the affected zones and met with various institutions involved in the sector. On the basis of data collected by the mission, it is estimated that between 7,000 and 10,000 productive units have been damaged. For each MFI, affected clients could represent between 10 percent and 30 percent of the total microcredit portfolio. The mission's findings are summarized below:

3.06 The Arequipa Municipal S&L Bank estimates that, of its total portfolio of 57,487 loans, representing assets of US\$42,477,213, approximately 2,746 loans have been affected, accounting for US\$3,776,938 (see Annex I).

3.07 The Proempresa EDPYME, Arequipa branch, reports that approximately 700 of its clients are in the affected zones, with loans totaling US\$554,000.

3.08 The EDPYME Crear Arequipa estimates that of its 2,859 active clients, 83 percent have suffered losses of some kind with respect to their merchandise or working capital, and that 44.8 percent of its clients have suffered damage to their business premises. Crear Arequipa estimates that it will need to invest some US\$360,000 in its clients to rehabilitate and reconstruct their economic activities (see Annex II).

3.09 EDPYME Edyficar, Arequipa branch, estimates that its total affected portfolio amounts to US\$320,000, of which US\$159,531 must be classified as of doubtful recovery. Edyficar calculates its initial funding requirements at US\$953,600 to finance reconstruction and reactivation of damaged infrastructure, as well as machinery, equipment and working capital (see Annex III).

3.10 The Nueva Vision EDPYME reports that its total affected portfolio amounts to US\$168,842, of which US\$132,609 can potentially be restructured, and US\$36,234 is of doubtful recovery. Nueva Vision estimates its initial funding needs at approximately US\$462,000 to finance reconstruction and reactivation of damaged infrastructure, as well as machinery, equipment and working capital (see Annex IV).

3.11 EDPYME Crear Tacna estimates that of its total portfolio amounting to US\$3,773,814, which includes Tacna, Ilo and Moquegua, the affected portfolio is US\$881,243 (see Annex V).

IV. SUPPLY OF FUNDS FOR DEALING WITH THE DISASTER

- 4.01 USAID will not have any fresh funding for new loans or grants to MFIs affected by the emergency. It is channeling its support to the microenterprise sector primarily through NGOs working with "antipoverty loans" (community banks), none of which have portfolios of more than US\$500,000, and none of which are active in the zone affected by the earthquake. USAID's technical assistance program, coordinated by the NGO Consortium for Small and Microenterprise (COPEME), provides funding for training and advisory services targeted primarily at lending NGOs and EDPYMEs.
- 4.02 The Spanish Agency for International Cooperation (AECI) has a low-cost housing line of credit (Habitat Productivo) which is channeled through the Corporación Financiera de Desarrollo (COFIDE). It provides financing with a seven-year term, two years' grace, and has a balance of approximately US\$5 million available for allocation. AECI has indicated that its support to microenterprises and MFIs affected by the emergency will be limited to these resources, which may be used for reconstruction, improvement and rehabilitation of productive or residential structures.
- 4.03 The Latin America Challenge Investment Fund (LACIF) has no funds immediately available to meet possible demands from MFIs affected by the emergency. The Swiss Agency for Development and Cooperation (SDC) is providing direct assistance to affected families in the form of blankets, food and other basic needs, as well as funds for reconstructing affected communities, but it will have no specific resources for affected microenterprises and MFIs.
- 4.04 For its part, COFIDE has not earmarked any specific line of credit for meeting demands of the MFIs affected. It is, however, considering the possibility of restructuring the loans that it currently has in place with the financial intermediaries affected, which are limited to a ceiling of 100 percent of each MFI's net worth. Resources from the Bank's Microglobal Program are fully allocated, and are lent to regulated MFIs at a term of five years, with one year grace and interest at approximately 8 percent. COFIDE also reported that the German KfW (Kreditanstalt für Wiederaufbau) is looking at the possibility of using an estimated US\$2.5 million which it has provided under another COFIDE line to meet the credit needs of MFIs affected by the emergency.
- 4.05 A supreme decree by the National Government has authorized the Mi Vivienda Fund to provide financing through the financial system for reconstructing dwellings damaged by the earthquake. That fund is expected to have available up to 100 million new soles (approximately US\$28 million), which it will lend to clients in amounts of 6,000 new soles each (US\$1,714) at a term of 20 years and an interest rate of 1 percent.
- 4.06 The available information suggests that:
- the supply of funding earmarked to meet the credit needs of microenterprise clients of the MFIs will be very limited; and
 - there will be some funding available specifically for the reconstruction of microenterprise premises.
- 4.07 The resources needed for microcredit institutions to service their current clients who have been affected by the earthquake are estimated at between US\$3.5 and US\$5 million. The MIF funds would help in replacing productive assets and inventories of microenterprises affected by the earthquake.
- 4.08 The foregoing considerations justify intervention by the MIF through establishment of a Program of Support for Microenterprises Affected by the Earthquake.

V. APPLICATION

- 5.01 SDS/MSM is requested to take the necessary steps to submit to the MIF Donors Committee a request to establish a program of support for microenterprises in Peru affected by the earthquake of June 2001. According to preliminary estimates, an amount of between US\$2 million and US\$3 million will be needed to meet the needs of the affected microenterprises. In addition, and in accordance with section 3.12 of Document MIF/AT-337, approval of nonreimbursable technical cooperation is requested in the amount of US\$130,000 to finance administration and evaluation of the credit program.

CMAC AREQUIPA – ANNEX I

	Number	Amount (US\$)
Total of loans outstanding	57,487	
Total of loans to be analyzed*	28,811	
Total of loans examined	15,831	
Degree of progress with review	54.95%	
Total of loans affected	1,509	
% of loans affected	9.53%	
Active portfolio		\$43,477,213
Portfolio to be analyzed*		\$30,338,533
Portfolio examined		\$16,191,300
Degree of progress with review	53.37%	
Portfolio affected		\$2,015,705
% of portfolio affected	12.45%	
Estimate of 100% loss		
Total loans affected (extrapolated)	2,746	
Portfolio affected (extrapolated)		\$3,776,938

* Does not include portfolio of agreements, mortgages, fixed-term guarantees, or CTS guarantees. It is almost exclusively microenterprises and small businesses.

CREAR AREQUIPA – ANNEX II

Arequipa	No. of Clients	Portfolio balance
Buildings severely damaged (more than \$5,000)	2	\$782
Buildings damaged (\$2,000 - \$5,000)	9	\$9,153
Buildings with some damage (\$500 - \$2,000)	50	\$82,210
Buildings with minor damage (less than \$500)	159	\$119,412
Buildings with no damage	35	\$92,326
Businesses severely damaged (more than \$5,000)	1	\$213
Businesses damaged (\$2,000 - \$5,000)	6	\$20,539
Businesses with some damage (\$500 - \$2,000)	26	\$37,108
Businesses with minor damage (less than \$500)	81	\$55,096
Businesses with no damage	141	\$190,928
No losses to working capital	64	\$128,213
Working capital losses less than \$500	152	\$113,359
Working capital losses \$500 - \$3,000	32	\$50,990
Working capital losses \$3,000 - \$5,000	7	\$11,320
Working capital losses exceeding \$5,000	0	-
Accounts receivable unrecoverable or with no loss	231	\$272,113
Accounts receivable unrecoverable or with loss less than \$500	14	\$13,537
Accounts receivable unrecoverable or with losses \$500 - \$3,000	10	\$18,233
Accounts receivable unrecoverable or with losses \$3,000 - \$5,000	0	-
Accounts receivable unrecoverable or with losses exceeding \$5,000	0	-
No loss to fixed assets	163	\$210,384
Losses to fixed assets less than \$500	83	\$74,207
Losses to fixed assets \$500 - \$3,000	9	\$19,291
Losses to fixed assets \$3,000 - \$5,000	0	-
Losses to fixed assets exceeding \$5,000	0	-
Intention to pay: yes	245	\$288,149
Intention to pay: no	10	\$15,734

CREAR AREQUIPA – ANNEX II

Camaná	No. of Clients	Portfolio balance
Buildings severely damaged (more than \$5,000)	0	-
Buildings damaged (\$2,000 - \$5,000)	1	\$494
Buildings with some damage (\$500 - \$2,000)	6	\$9,804
Buildings with minor damage (less than \$500)	35	\$23,681
Buildings with no damage	6	\$6,812
Businesses severely damaged (more than \$5,000)	0	-
Businesses damaged (\$2,000 - \$5,000)	2	\$1,311
Businesses with some damage (\$500 - \$2,000)	3	\$4,513
Businesses with minor damage (less than \$500)	1	\$1,145
Businesses with no damage	42	\$33,822
No losses to working capital	1	\$474
Working capital losses less than \$500	23	\$10,984
Working capital losses \$500 - \$3,000	22	\$24,083
Working capital losses \$3,000 - \$5,000	1	\$2,339
Working capital losses exceeding \$5,000	1	\$2,910
Accounts receivable unrecoverable or with no loss	46	\$39,524
Accounts receivable unrecoverable or with loss less than \$500	2	\$1,267
Accounts receivable unrecoverable or with losses \$500 - \$3,000	0	-
Accounts receivable unrecoverable or with losses \$3,000 - \$5,000	0	-
Accounts receivable unrecoverable or with losses exceeding \$5,000	0	-
No loss to fixed assets	39	\$25,912
Losses to fixed assets less than \$500	4	\$10,010
Losses to fixed assets \$500 - \$3,000	5	\$4,870
Losses to fixed assets \$3,000 - \$5,000	0	-
Losses to fixed assets exceeding \$5,000	0	-
Intention to pay: yes	41	\$35,959
Intention to pay: no	7	\$4,832

CREAR AREQUIPA – ANNEX II

Mollendo	No. of Clients	Portfolio balance
Buildings severely damaged (more than \$5,000)	0	-
Buildings damaged (\$2,000 - \$5,000)	0	-
Buildings with some damage (\$500 - \$2,000)	0	-
Buildings with minor damage (less than \$500)	98	\$63,690
Buildings with no damage	0	-
Businesses severely damaged (more than \$5,000)	0	-
Businesses damaged (\$2,000 - \$5,000)	0	-
Businesses with some damage (\$500 - \$2,000)	2	\$2,356
Businesses with minor damage (less than \$500)	91	\$58,639
Businesses with no damage	5	\$2,696
No losses to working capital	1	\$732
Working capital losses less than \$500	94	\$60,279
Working capital losses \$500 - \$3,000	2	\$2,356
Working capital losses \$3,000 - \$5,000	1	\$323
Working capital losses exceeding \$5,000	0	-
Accounts receivable unrecoverable or with no loss	95	\$62,165
Accounts receivable unrecoverable or with loss less than \$500	3	\$1,525
Accounts receivable unrecoverable or with losses \$500 - \$3,000	0	-
Accounts receivable unrecoverable or with losses \$3,000 - \$5,000	0	-
Accounts receivable unrecoverable or with losses exceeding \$5,000	0	-
No loss to fixed assets	84	\$50,697
Losses to fixed assets less than \$500	14	\$12,994
Losses to fixed assets \$500 - \$3,000	0	-
Losses to fixed assets \$3,000 - \$5,000	0	-
Losses to fixed assets exceeding \$5,000	0	-
Intention to pay: yes	98	\$63,690
Intention to pay: no	0	-

EDYFICAR – ANNEX III

	Number	Amount (US\$)
Infrastructure, buildings, workshops and commercial premises unusable	74	332,000
Major damage to infrastructure, buildings, workshops and commercial premises	92	161,500
Minor damage to infrastructure, buildings, workshops and commercial premises	337	318,000
Machinery, equipment and working capital unusable	73	321,000
Machinery, equipment and working capital damaged but recyclable	69	104,000
Machinery, equipment and working capital damaged but salable	116	116,000
Financial requirements: infrastructure destroyed		267,500
Financial requirements: major damage to infrastructure		113,100
Financial requirements: minor damage to infrastructure		175,500
Financial requirements: machinery, equipment and working capital unusable		270,000
Financial requirements: machinery, equipment and working capital recyclable		69,500
Financial requirements: machinery, equipment and working capital salable		58,000
Portfolio affected		320,000
Portfolio capable of restructuring		182,547
Portfolio of doubtful recovery		159,531
Number of clients affected	258	
Number of jobs	503	
Initial funding requirements for reconstruction and reactivation		953,600
Number of jobs recoverable	408	
Number of jobs in first year	246	

NUEVA VISIÓN – ANNEX IV

	Number	Amount (US\$)
Infrastructure, buildings, workshops and commercial premises unusable	39	176,000
Major damage to infrastructure, buildings, workshops and commercial premises	56	106,000
Minor damage to infrastructure, buildings, workshops and commercial premises	242	237,200
Machinery, equipment and working capital unusable	19	79,500
Machinery, equipment and working capital damaged but recyclable	22	34,000
Machinery, equipment and working capital damaged but salable	109	109,000
Financial requirements: infrastructure destroyed		140,800
Financial requirements: major damage to infrastructure		74,200
Financial requirements: minor damage to infrastructure		118,600
Financial requirements: machinery, equipment and working capital unusable		72,750
Financial requirements: machinery, equipment and working capital recyclable		23,000
Financial requirements: machinery, equipment and working capital salable		32,700
Portfolio affected		168,842
Portfolio capable of restructuring		132,609
Portfolio of doubtful recovery		36,234
Number of clients affected	184	
Number of jobs	423	
Initial funding requirements for reconstruction and reactivation		462,050
Number of jobs recoverable	339	
Number of jobs in first year	231	

CREAR TACNA – ANNEX V

Tacna	Amount (US\$)
Portfolio affected Ciudad Nueva district	145,600
Portfolio affected province of Candarave and Jorge Basadre	210,000
Portfolio affected in other zones	73,500

Ilo	Amount (US\$)
Portfolio affected in Pampa Inalámbrica	14,724
Portfolio affected in other zones	11,779

Moquegua	Amount (US\$)
Portfolio affected San Francisco	255,208
Portfolio affected Samegua	3,988
Portfolio affected San Antonio	37,883
Portfolio affected Cercado	128,561