



Project Outline

Inter-American Development Bank



Country: PERU
Project Number: PE0250
Project Name: RURAL FINANCIAL MARKET DEVELOPMENT
As of 17-Mar-2004

→ GENERAL INFORMATION

Country:	PERU
Project:	RURAL FINANCIAL MARKET DEVELOPMENT
Borrower:	REPUBLICA DEL PERU
Total Cost:	\$14,300,000.00
Responsible Division:	FI3 - FINANCE & BASIC INFRASTRUCTURE DIVISION
Executing Agencies:	BANCO AGRARIO DEL PERU;

Number	PE0250
Type of Operation:	Specific Investment Operation
Approval Date:	10-Nov-2004

→ DESCRIPTION

The Rural Financial Development Project is designed to strengthen AgroBanco, particularly in its role as a second tier institution and in its efforts to attract private equity, as well as improving financial intermediation in rural areas.

This is an initial undertaking into the development of rural financial markets in Peru. It is expected that the successful completion of this Project will open additional opportunities for Bank intervention as related to rural financial markets.

→ Team

Project Leader: STAKING, KIM B.
Members:
Lawyer:
Consultants:

→ CLASSIFICATIONS

- ☐ Poverty Target Investment
- ☐ Social Equity Poverty Reduction
- ☐ Head Count
- ☐ Sector
- ☐ Geographic

→ FINANCING PLAN

	Currency	Amount
INVESTMENT LOAN	USD	10,000,000.00
COUNTERPART:		4,300,000.00
		Total: 14,300,000.00

→ BANKS COUNTRY STRATEGY

The project is consistent with the development goals established in the Country Strategy for Peru, including competitiveness, rural development and greater access to financial services by smaller enterprises.

→ OBJECTIVES

The direct objectives of the Project include the strengthening of AgroBanco and the elimination of obstacles to rural financial intermediation. Within the preparation of the program the design and implementation of mechanisms for reducing, transferring or hedging the risk associated with rural financial intermediation, thereby reducing its cost and the development of new technologies for intermediation in rural areas will be studied. The indirect objectives include increasing economic activity and generating employment in rural areas.

→ EXPECTED RESULTS

The Project should result in the following:

- (a) Strengthening AgroBanco. A business plan will be developed that will provide a roadmap leading to AgroBanco operating as an efficient and effective financial intermediary, with an emphasis on second tier activities (along with a plan to transfer existing first tier activities to the private sector). This will include managerial targets (efficiency and effectiveness, staffing, the use of agencies, relationships with first tier institutions and clusters, etc.) as well as financial targets (profitability, liquidity, asset quality, capital adequacy, risk management, etc.). The target of the business plan will be to support rural financial intermediation while situating AgroBanco as an attractive candidate for private equity investors.
- (b) Strengthening First Tier Financial Intermediaries. The Project will develop and implement new technologies which improve the ability of intermediaries to operate in rural areas;





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reducing risk, reducing costs, or developing new platforms.

(c) Risk Transfer and Hedging. The Project will evaluate the feasibility of implementing insurance products directed at underwriting stochastic agricultural risks (crop insurance and/or weather derivatives) as well as mechanisms for implementing these products. It will also evaluate the feasibility of reinforcing commodity markets (spot and future) and extending the access of smaller agricultural producers to these markets. If these insurance and hedging products are determined feasible, the Project will design pilot programs for their implementation.

(d) Rural Financial Infrastructure. The Project will evaluate the feasibility of establishing programs to develop or strengthen the legal and institutional structures which serve to reduce the cost and/or the risk of financial intermediation in rural areas.

Vo.Bo: _____

Approved By : _____

