

**Banco Interamericano de Finanzas ("BanBif")
Project Description**

The proposed project is based on the "MSME Downscaling Facility," whose purpose is to support financial institutions in the region execute their downscaling strategies into the SME sector. The first transaction under this Facility is a partial credit guarantee of up to \$ 5 million for Banco Interamericano de Finanzas (BanBif).

The facility's objectives are: (i) Provide a risk sharing mechanism to help BanBif downscale its credit operations into a new segment (SMEs), through the implementation of a new credit scoring system based on psychometric parameters; (ii) Catalyze the accessibility of credit to the MSME segment in Peru, specially to those who have had low or no access to the financial system; (iii) Motivate the portfolio growth in Peru's MSME segment, which constitutes one of the main providers of employment in the country and an important contributor to the country's GDP; and (iv) improve BanBif's use of capital, by providing a guarantee that will require lower provisioning requirements, lower capital allocation and provide loss absorption in the case of default.

The project is consistent with the Bank's strategy in Peru which seeks interventions to reduce poverty and promote social inclusion through different mechanisms, such as the expansion of financial services. Additionally, the project is consistent with the strategy approved by the Structured and Corporate Finance Department and the Financial Markets Division, which has set a goal to finance the needs of 250,000 SMEs by 2015; a high social impact goal that is critical for the development of the region.