

## PROJECT SUMMARY

### QUIPU: PROMOTING FINANCIAL INCLUSION FOR WOMEN MICROENTREPRENEURS (CO-G1050)

Microbusinesses are the economic and employment engine of Latin America and the Caribbean, especially among the poor and vulnerable population. Nine out of 10 micro, small, and medium-sized enterprises (MSMEs) are microbusinesses, with MSMEs accounting for 99.5% of enterprises in Latin America and the Caribbean and about 25% of the region's GDP, according to OECD data. The regional financing gap for MSMEs is estimated at US\$1.8 billion, according to the SME Finance Forum.

In Latin America and the Caribbean and in Colombia, microenterprises face serious limitations in accessing financing and being able to grow, mainly because most of their activity is informal and is not registered in the tax systems. In Colombia, eight out of every 10 microentrepreneurs are informal, and the vast majority do not have a good credit history with the credit bureaus (either no information or negative history). Without a method for microenterprises to verify their financial history, there is no evidence to assess a credit application, forcing microentrepreneurs to resort to informal and predatory lenders charging interest rates in excess of 400%.

Quipu is one of the selected proposals from the [call for proposals for open innovation on gender and artificial intelligence](#) launched within the framework of the [fAIr LAC](#) initiative. Quipu's purpose is to convert the social capital of vulnerable women entrepreneurs into economic capital to facilitate their access to credit. Its mission is to create economic wealth in sectors historically disadvantaged by the financial and economic system. Quipu serves women entrepreneurs who run home-based businesses. It seeks to become a digital bank for the informal economy and has created a credit scoring system that uses financial and nonfinancial data to assess risk and predict credit defaults, enabling access to financial products such as productive loans at competitive rates.

Quipu will execute the project "Promoting Financial Inclusion for Women Microentrepreneurs" for a total amount of US\$1,480,328, of which US\$700,000 (47%) will be provided by IDB Lab and US\$780,328 (53%) by the counterpart. The project will have a contingent recovery investment grant (CRIG) for US\$700,000. The main expected outcomes are (i) strengthening an alternative risk scoring system using artificial intelligence that lets women entrepreneurs access productive loans under fair conditions and digitally (in a traditional model, these loans would have been rejected); (ii) building a sustainable, large-scale financial technology company while serving a segment of the population that is underserved by traditional institutions; (iii) measuring and demonstrating the project's impact, sharing lessons learned and best practices identified so it can be replicated in other places and financial sector institutions.