

## Technical Assistance Facility for Latin America and the Caribbean

### UPGRADING THE CAPACITY OF MICROFINANCE INSTITUTION

**Project dates:** May 2005 – July 2006  
**Country:** Peru  
**Sponsors:** EDYFICAR, IFC



#### **Context: Small Businesses, Microfinance, and Peru**

One of the ways in which IFC assists smaller businesses is by helping commercialize the microfinance industry, whose products and services are tailored to the needs of smaller businesses. Commercialization enables microfinance institutions to leverage their equity more efficiently, serve more clients, and offer a wider range of financial products and services.

Peru constitutes the largest microfinance market Latin America, with approximately US\$1 billion distributed over 43 microfinance institutions (MFIs). EDYFICAR is a microfinance institution in Peru with an investment from IFC in the form of a senior loan of up to \$3 million (committed) and a subordinated convertible loan of up to \$1 million (not yet committed). EDYFICAR has equity of US\$6.78M and an outstanding portfolio of US\$31.9M with 34,000 loan clients or 2.9% of the national market.

#### **Project: Technical Assistance for Improved Operational Efficiency**

IFC's Technical Assistance Facility for Latin America and the Caribbean (LAC Facility) is supporting EDYFICAR in improving its operational efficiency (by lowering operating costs) in order to strengthen its long-term sustainability and enhance its ability to reach and serve smaller businesses in Peru.

During the first phase of the project, the project team focused on identifying and mapping those processes that impact operational expenses. The processes included in this diagnostic phase included credit policies, risks and recovery, finance, logistics and accounting, human resources, information technology, internal controls, organization, and incentives. Following this mapping, the project team benchmarked EDYFICAR's operational efficiency with other leading firms in the microfinance sector. Based on the results and the benchmarking, the team has prepared a series of recommendations for process improvements.

Currently, EDYFICAR and the LAC Facility are assembling a team of consultants and employees to implement the recommendations. The implementation plan will include workshops to train employees on the new processes and the importance of improving the organization's operational efficiency. Upon completion, the team will monitor the results to determine the reforms' efficacy and identify opportunities for further improvement.