



# PERU – DIGITIZING CREDIT MONITORING AND E&S RISK MANAGEMENT



PERU	
FINANCING INSTITUTION	AFD
PROJECT DURATION	03/2017 – 11/2018

## DIGITAL LOAN MONITORING IN THE AMAZON

GFA is exploring the potential of innovative ICT-based tools & applications to support loan monitoring and environmental & social risk management to enhance sustainable finance in developing countries. In cooperation with the public agricultural bank AGROBANCO in Peru, GFA developed and piloted the “GeoBancoVerde” application. The app represents an innovative software solution aiming at improving gathering and monitoring of information relevant for the risk estimation of agricultural loans in the Amazon region and ensuring compliance with environmental and social eligibility criteria under donor-funded credit lines.

## OBJECTIVES

Lending to agricultural and other businesses in remote, rural areas is challenging for financial institutions. Often they lack the capacities to identify and check the size and location of the production area that a potential client bases his loan application on. This can lead to fraud through “ghost lending” and poses environmental and social risks, especially in biodiversity or cultural hotspots. A lack of spatial information about farm parcels in the Amazon region, hindered AGROBANCO in effectively assessing their own environmental and social loan exclusion criteria, like deforestation or conflicts with indigenous territories.

To tackle the risks and to allow for an efficient on-site client assessment, GFA equipped AGROBANCO with the means to digitally gather and assess relevant information through geo-data.

## GEOBANCOVERDE APPLICATION

The app combines on- and offline geo-referencing of land plots with multi-layer mapping and is since its introduction a mandatory tool for AGROBANCO loan officers in the Amazon. Conducting on-site client assessments loan offic-

ers can directly mark the land plots on their mobile phones, in case they are connected to mobile internet. If there is no internet available, land plots must be assessed physically, while loan officers take GPS points. Both ways lead to the creation of spatial geo-data polygons. Besides providing factual data on the size and location of land plots, these polygons are then matched with up-to-date forest cover satellite images and indigenous territories maps. The app conducts an eligibility quick check, which allows the loan officer to proceed with the loan appraisal or directly stop the process, if a client is not eligible.

The app transmits data directly into AGROBANCO’s core banking system where it is stored as part of the client information. In a modular further extension, the spatial geo-data provides the basis for “Remote Sensing” based crop yield monitoring and forecasting using vegetation cover satellite images. This continuous agricultural productivity monitoring can become an integral part of the bank’s risk management, since it allows detecting yield, and eventually loan default risks early on.

The functionality of the application is easily replicable and adaptable to meet the particularities of sustainable and green finance in remote areas. The multi-layer approach allows crossing the spatial data with any relevant maps or satellite images.

