

RURAL FINANCING IN NICARAGUA

COMPANY

Fondo de Desarrollo
Local (FDL)

SECTOR

Financial Services

FMO INVESTMENT

US\$ 7 mln

SUPPORTING MICROFINANCE OUTSIDE OF URBAN AREAS

Fondo de Desarrollo Local (FDL) is a Nicaraguan NGO microfinance institution founded to enable micro, small and medium entrepreneurs to improve their standard of living. FMO invested in FDL via the Dutch Government's MASSIF financial inclusion fund, and will accompany the organization in its growth over the coming years.



INVESTMENT INFORMATION

NAME
Fondo de Desarrollo Local (FDL)
SECTOR
Financial Services

FMO INVEST
US\$ 7mln
YEAR OF INVESTMENT
2014
PRODUCT
Unsecured commercial loan, fund:
MASSIF
TENOR
5 years

IMPACT AND PERFORMANCE



Reaching 58,000 customers
across Nicaragua, 14% SMEs
and 86% micro-entrepreneurs



Average loan size US\$1000



73% of loans in rural areas



30% of portfolio
in agricultural loans



50% of loans for women

CEMENTING ECONOMIC STABILITY

Nicaragua is a small Central American country with a population of 6 million. In 2014 Nicaragua boasted a GDP growth rate of 4.7%, more than twice the average for the region. It however remains the second poorest nation in the region after Haiti; it continues to face critical challenges in ensuring access to basic goods and services.

FDL is an NGO microfinance institution founded in 1992 by the Jesuit-sponsored Research and Development Institute Nitlapán. FDL's mission is to enable micro, small and medium entrepreneurs to improve their standard of living by providing them with a broad range of financial services. FDL partners with other organizations to also offer their clients non-financial services such as business skills training, legal support, and improved market access opportunities.

SOLIDIFYING ITS BUSINESS POSITION

Financial penetration in Nicaragua remains low and access to finance is scarce, especially amongst lower-income farmers and small-scale entrepreneurs in rural areas. Only 14% of the population above the age of 15 borrows from a formal source; 8% has a savings account. The No Pago (or "No payment") crisis of 2010 – 2011 bankrupted many microfinance institutions and shrunk the microfinance sector to nearly one-third of its previous size.

But, after surviving the No Pago movement in 2011, FDL has cemented its position as the largest microfinance institution (MFI) in the country, with assets of nearly US\$ 90 mln at the end of 2014. FDL has been working towards becoming a regulated

MFI since 2010. The conversion is expected to happen in 2015 and will allow FDL to offer a broader product range that includes savings. FDL's ambition lies in leveraging its country-wide network to grow in a sustainable manner driven by customer demand and in accordance with its mission.

RURAL MICRO FINANCE

FDL has a substantial rural footprint, with an estimated 73% of its portfolio invested in smallholder farmers or micro-entrepreneurs active in rural areas. FDL serves an estimated 58,000 clients through a network of 37 branches with loans averaging US\$ 1,000.

FMO invested in FDL through the MASSIF financial inclusion fund, which it manages on behalf of the Dutch Ministry of Foreign Affairs. The investment provides needed long-term financing for an organization that has relied on shorter-term financing in the past. FMO will accompany the organization in its further growth over the coming years, of new clients but also of additional products like savings. FDL's transition into a deposit-taking institution actively supported by FMO, will be an important milestone to achieving this.

FMO is the Dutch development bank. FMO has invested in the private sector in developing countries and emerging markets for more than 45 years. Our mission is to empower entrepreneurs to build a better world. We invest in sectors where we believe our contribution can have the highest long-term impact:

financial institutions, energy and agribusiness. Alongside partners, we invest in the infrastructure, manufacturing and services sectors. With an investment portfolio of EUR 8 billion spanning over 85 countries, FMO is one of the larger bilateral private sector development banks globally. www.fmo.nl