

Advisory Services Facility for Latin America and the Caribbean

FINDESA Upgrade

Project dates: May 2006-September 2009

Country: Nicaragua

Sector: Financial Sector – MFI

Sponsor: IFC



Background

Financiera Nicaraguense de Desarrollo, S.A. (FINDESA) has been serving the MSME market in Nicaragua as a private regulated financial institution since 2002, following its transformation from a non-governmental organization (NGO), led by La Asociación del Fondo del Instituto Nicaragüense de Desarrollo (FINDE). FINDESA has a good reputation in Nicaragua and is authorized to carry out many of the banking operations that universal commercial banks provide. The two founders FINDE and Instituto Nicaragüense de Desarrollo (INDE), a NGO created with the assistance of the German international cooperation GTZ, own 17% and 20%, respectively.

In 2006, IFC approved a US\$5 million investment in FINDESA, in addition to US\$2 million in equity and US\$3 million in subordinated loans. The Facility also approved an Advisory Services project of US\$520,000.

With over 87,000 clients, FINDESA's portfolio has been experiencing tremendous growth over the last few years, reaching a total loan portfolio of US\$127 million. A significant part of the growth is due to the increase in SME loans in rural areas. An average FINDESA loan is approximately US\$1,500 and only 21% of its portfolio is in the urban area of Nicaragua.

Project objective

Although regulated, FINDESA does not provide a full range of financial products like other commercial banks, but it is beginning to offer those services (and will be named Banco del Exito). The objective of the Advisory Services project is to support FINDESA in this process of becoming a full-fledged bank so it can increase MSME access to finance. The expected impact would be:

- (i) An additional 43,580 active clients by 2010;
- (ii) Financing to reach US\$180 million by project completion;
- (iii) Affect positively 1.2 million people after four years of project completion.

Project components

IFC will contribute in key areas of advisory services, such as:

- Corporate Governance
- Credit Risk Management
- Branch Organizational Structure

Project timeline

The project was launched in January 2007 with the implementation of the Credit Risk Management component. The Corporate Governance component was implemented in July 2007. Branch Organization is expected to finalize in September 2009.