IN NICARAGUA, WHERE 70 PERCENT OF THE POPULATION LIVES IN RURAL AREAS, AGRICULTURE IS THE LARGEST SOURCE OF EMPLOYMENT AND ACCOUNTS FOR 17 PERCENT OF THE COUNTRY’S GDP. DESPITE THIS, MOST BANK LENDING IS CONCENTRATED IN THE COMMERCIAL SECTOR, WITH VERY LIMITED INROADS INTO RURAL AREAS AND AMONG SMALL AND MEDIUM AGRICULTURAL ENTERPRISES (SMES). MICROFINANCE IS THEREFORE ONE OF THE FEW SOURCES OF FUNDING AVAILABLE TO AGRICULTURAL SMES, AND PLAYS A CRUCIAL ROLE IN THE DEVELOPMENT OF NICARAGUA’S RURAL ECONOMIES.

An IFC investment of $7 million in Fondo de Desarrollo Local (FDL) will support FDL’s expansion of its lending in the rural agribusiness sector and to micro-entrepreneurs in Nicaragua through its network of rural branches. FDL is the largest microfinance institution in Nicaragua, with approximately 31 percent of its portfolio concentrated in extreme and high poverty regions. With IFC investment, FDL will continue to play a key role in reaching small and medium producers, and offering support to the most vulnerable regions of Nicaragua.

EXPECTED RESULTS:

Approximately 38 percent of FDL’s portfolio is concentrated in agriculture. This project will increase the availability of financing to under-served rural and agribusiness sectors, particularly small producers. By scaling up producers, it will contribute to the generation of direct and indirect employment, and through its support of small producers involved in primary agricultural production, the project contributes to enhanced food security.

Through this project, FDL estimates it will be able to increase the number of micro loans in rural areas of Nicaragua to 80,000 (53% to women) by the end of 2018, and the number of loans to small farmers involved in primary agricultural production to 24,000. FDL will also benefit from IFC sharing global and local microfinance expertise, and its support in the establishment of an environmental and social monitoring system.

This Project complements existing efforts by the Public Sector Window of GAFSP, which awarded a $33.9 million financial package to support small producers, ethnic minorities, and high-potential value chains in the impoverished Caribbean coast region of Nicaragua.