SCBF SWISS CAPACITY BUILDING FACILITY
for Income and Employment Generation

PROJECT FACTSHEET

Title of project	**SCBF 2011-08: Building Risk Management Capacity to Increase Outreach in Nicaragua**
Country / region	**Nicaragua / country-wide** (11 branches - Managua (two branches), Esteli, Matagalpa, Juigalpa, Nueva Guinea, Rivas, Masaya, Leon, Chinandega and Ocotal)
Financial Intermediary	**FINCA Nicaragua**, newly established microfinance bank (transformed from a MFI)
Swiss Competence Centre mandated for execution	**FINCA International** and **FINCA Nicaragua** (De la Rotonda del Gueguense, 3 cuadras al Lago, junto a Su Medico Bario Bolonia, Managua) **in collaboration with Credit Suisse** (Private Banking Switzerland, Microfinance, PO Box 8070, Zurich)
Overall project budget	CHF 233'464 (**36,6%** self-contribution by partners)
SCBF contribution	**CHF 147'900** (63,4% SCBF funding share)
Date of project approval	March 2012
Project period	Mai 2012 - April 2013 (12 months)
Context	The Nicaraguan microfinance industry suffered a profound crisis in 2009 and 2010 as a result of both the international financial downturn and the domestic No Pago (No Payment) Movement. Heightened by political interference, these events took a toll on Nicaraguan MFIs and left them both illiquid and unpopular. Mix Market statistics show a loss of more than 200'000 clients across Nicaraguan MFIs between 2007 and 2010. Even while allowing FINCA to obtain a banking license, the weakness of the microfinance sector has led the regulatory authority to be extremely cautious in allowing MFIs to diversify their product mix. MFIs must show that they are very capable of managing risks before they will be allowed to mediate savings. Learnings from Nicaragua will have regional relevance as MFIs across Latin America seek to build the systems to gain regulatory approval for new product lines.
Current status	In 2011, FINCA Nicaragua completed its transformation from a non-profit MFI to a regulated financial institution. Once it has completed a probationary period, the regulator will authorise FINCA to accept deposits from the public. As a microfinance bank, it can offer a wider range of financial services at lower prices to its low-income clients. This would also help to consolidate the microfinance sector and serve as demonstrations for other MFIs to transform into microfinance banks. FINCA International has proposed a network-wide enterprise risk management strategy that is under consideration by management and has completed individual risk assessments for each subsidiary, including FINCA Nicaragua.
Objective and main activities	The **objective** is for FINCA Nicaragua to introduce a state-of-the-art risk management system that would allow it not only to meet regulatory requirements, but also to utilize its status as regulated financial institution to full effect by mediating savings on behalf of un/under-banked Nicaraguans and thereby grow its outreach significantly. FINCA also will disseminate lessons learnt from the project to its affiliates in Latin America and beyond so as to facilitate replication within its global network. After assessing industry best practice, the **main activities** of the project are to: 1) Design and build automated reporting routines that improve operational oversight as well as address reputational and compliance risks with the regulator. 2) Devise a robust disaster recovery and business continuity planning (DR/BCP) while ensuring that the systems developed are realistic. 3) Implement systems to analyze loan repayment data on a real-time basis. 4) Embed all of the above systems and processes by training staff on their use. At the end of the project, FINCA Nicaragua will have introduced a high quality risk management system as a basis for sustainable growth as micro bank and FINCA International will have the regional/global capacity to improve risk management systems of other affiliates without external support based on this good reference.