



Julio Flores Coca, executive director

Presented by Isabelle Dauner
Intercooperation

Savings and Credit Forum, May 15th
2009, Bern

WHO WE ARE

- The FDL (Fondo de Desarrollo Local) is a Nicaraguan non profit rural microfinance institution created by Nitlapán in 1998.
- Before 1998, it was a credit component of Nitlapán, research and development institute of the Central American University (1993).
- FDL always had the mission to be **more than a microcredit provider**: financing development with a social focus.
- More and more **depth into poorer segments** of the population reached through methodology of group credit and product diversification.
- The agricultural sector has the **major growth potential**.



The FDL in numbers ...

| | Nicaragua | FDL | FDL % de Nicaragua |
|-------------------|--------------|---|--------------------|
| Population | 5,5 millions | 82'000 client families with 400'000 persons | 8% |
| MSME agriculture | 250,000 | 40,000 | 16% |
| % Women | 51% | 57% | |
| Income per Capita | \$US 900 | \$US 643 average loan size | |

... FDL in numbers (Dic. 2008)

- **Portfolio** of US\$ 68.79 million for 82'336 clients.
- 62.4% of portfolio in **agriculture** and 49% of clients.
- 36% of clients are **subsistence** farmers.
- The “portfolio for **investment and development**” amounts to US\$ 10.6 million and make up 15% of portfolio and 9% of clients.

“INVESTMENT AND DEVELOPMENT PORTFOLIO” FOR A BIGGER IMPACT

- We are financial institution **promoting development** and not a “traditional” microfinance institution.
- The investment portfolio is **growing** by 10% since 2005.
- Development portfolio with **technical assistance**: 6'542 clients and US\$4.8 million.
 - Green package (*paquete verde*) for intensification of cattle breeding for meat and milk; credit for watering equipment.
 - Investment credit for low income rural women.
 - Investment credit for coffee producers.
 - Credit for purchase of solar panels.



AGRICULTURAL CREDIT

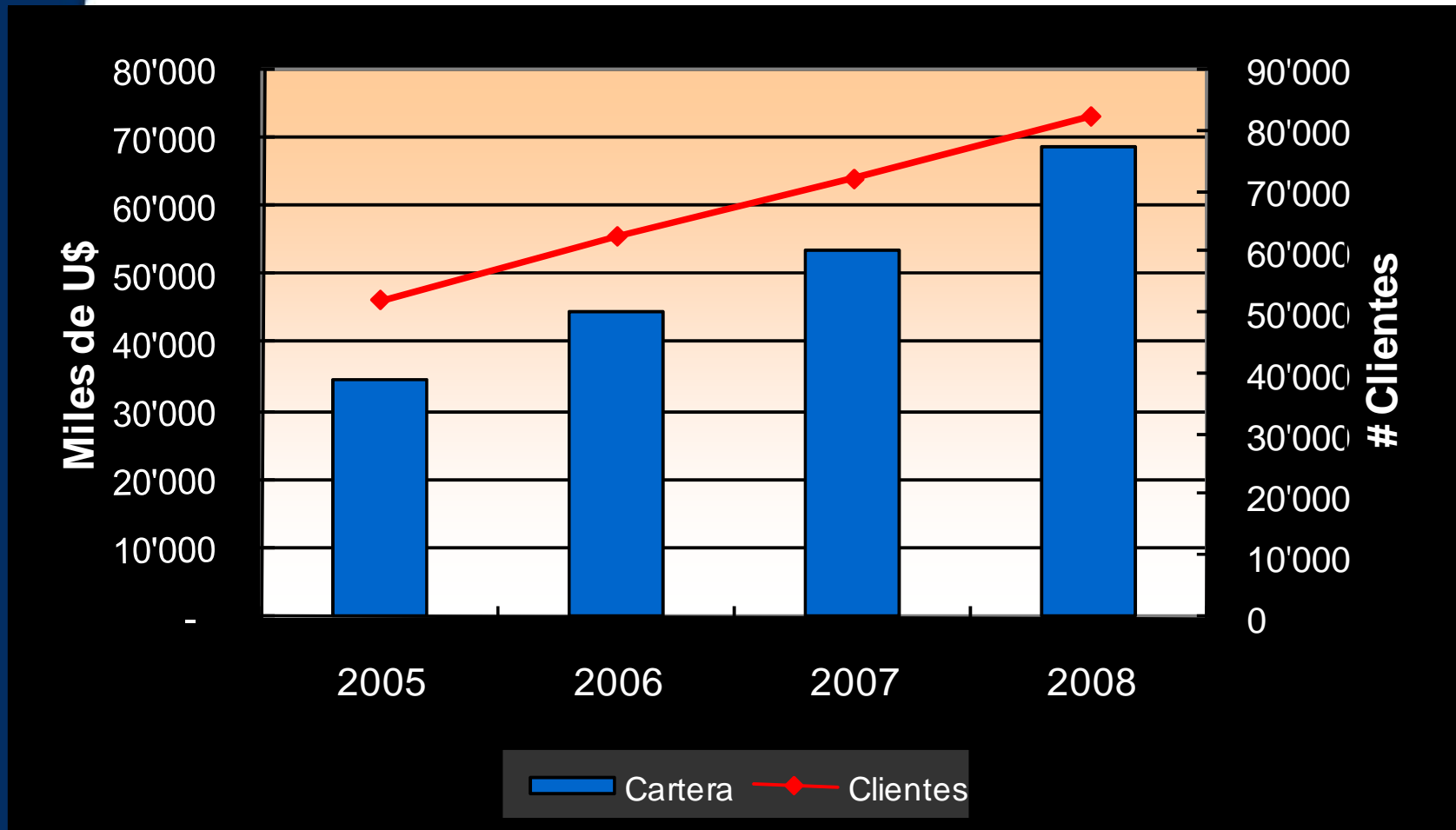
40'511 clients are agricultural producers, of which:

- ✓ 16'219 are women from rural areas.
- ✓ 14'381 are poor farmers.
- ✓ 11'558 women served with group credit.
- ✓ 2'941 receive investment credit (usually invested in purchase of cow).

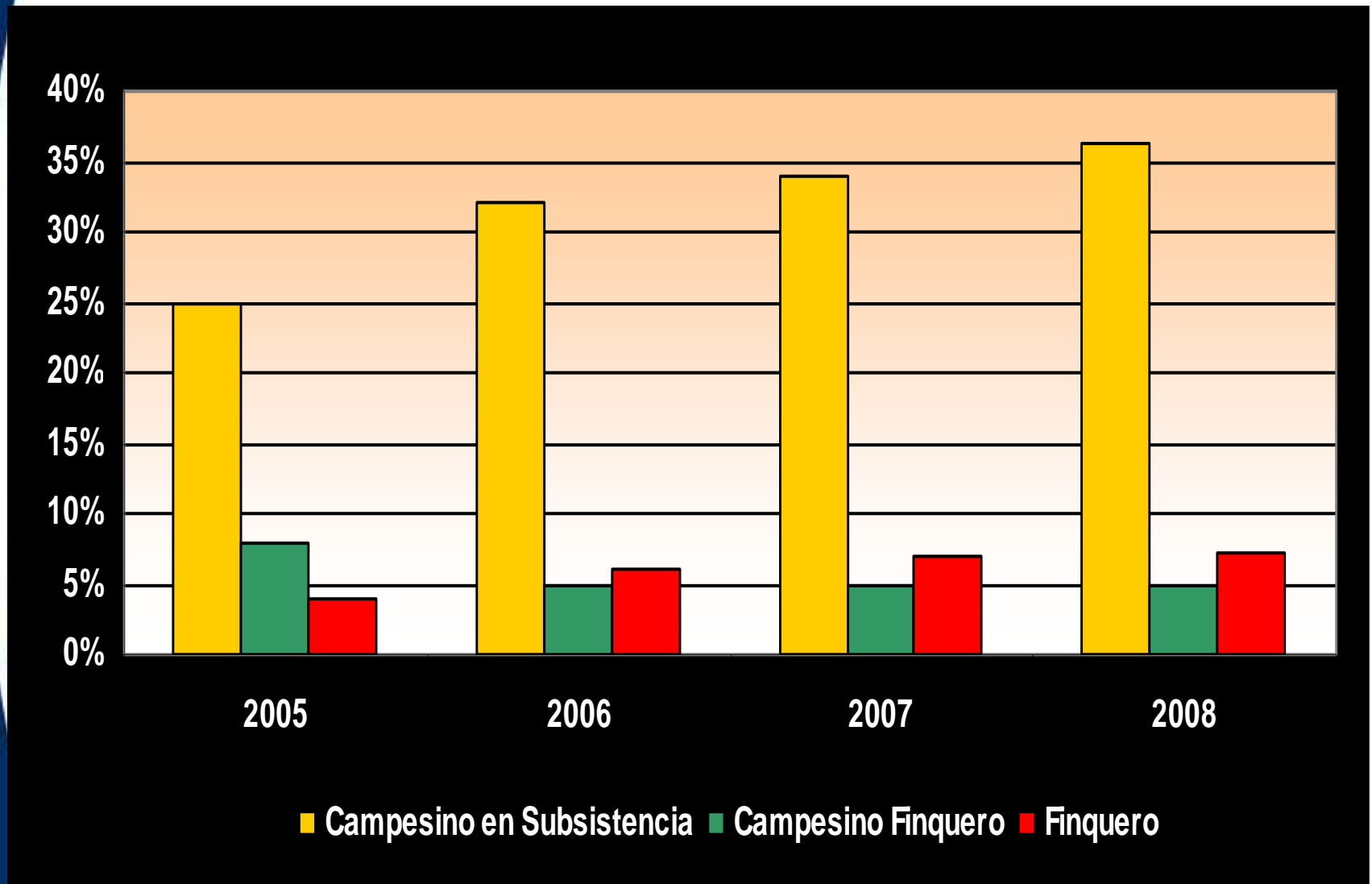
CREDIT METHODOLOGY

- Serving urban and rural poor through **group credit**.
- Middle class sectors through “non directed” **individual credit**.
- We foster local ownership and maintain close **contacts to clients** (meetings, focal groups, etc).
- **Different types of garanties** according to amount.

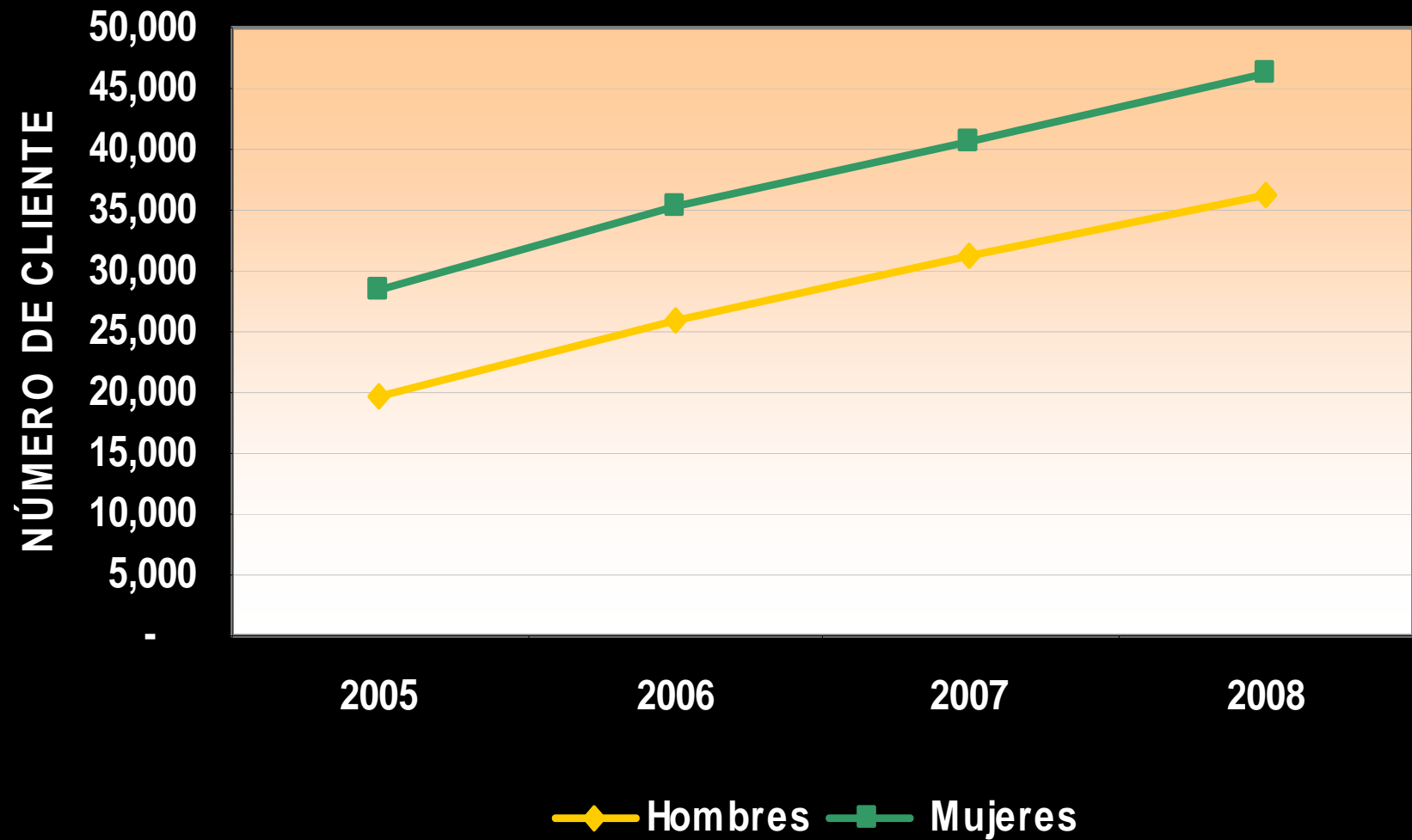
GROWTH OF PORTFOLIO AND CLIENTS



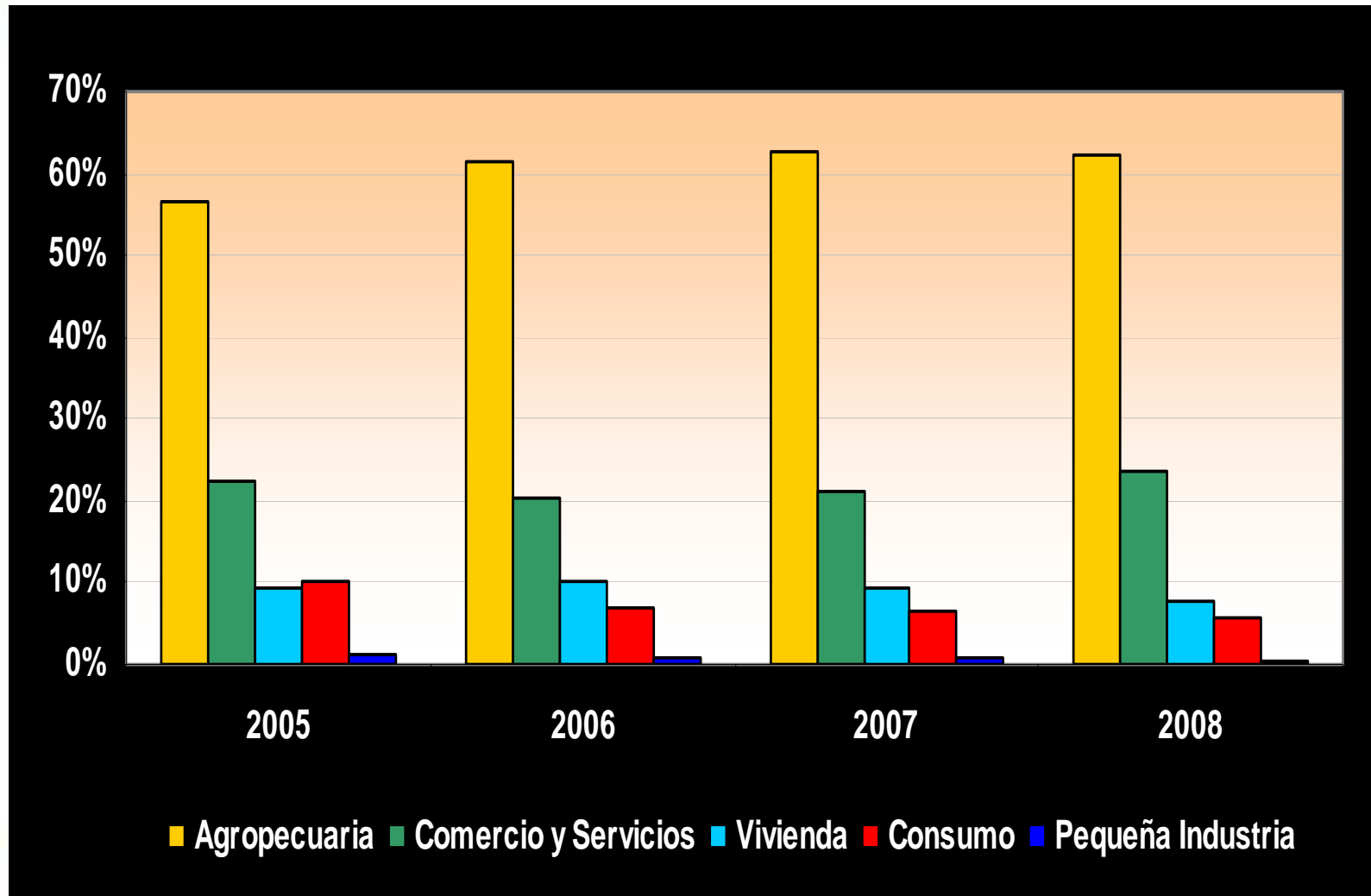
EVOLUTION OF CLIENTS BY SOCIAL SECTOR



EVOLUTION OF CLIENTS BY GENDER



PORTFOLIO BY ECONOMIC ACTIVITY



IMPACT OF THE 2007 FOOD CRISIS ON CLIENTS

- Agricultural producers **first favoured** by the increase of prices in basic food consumption products.
- Followed by increase in prices of inputs which reduced their profitability.
- Urban micro enterprises basically suffered from increase in food prices and thus **decrease in purchasing power.**

IMPACT OF FINANCIAL CRISIS ON NATIONAL ECONOMY 2009...

- Commercial banks receive less funds from international banks, which **restricts credit** in general and for consumption in particular.
- 20% **decrease in exports** due to crisis in USA (compared 01.08 and 01.09).
- Decrease in the price of major export products (meat, coffee, sesame, peanuts) has significant **impact on agricultural sector**.
- **Decrease in remittances** from USA and Costa Rica.

PLUS:

- **Low public investment** due to freezed cooperation because of questioning results of municipal elections in Nov. 08.
- **Less money from Venezuela** due to lower oil prices.



Decrease in GDP growth to 1% according to government and negative growth of -1.5% to -0.5% according to independent economists. Numbers from Central Bank on Monthly Index for Economic Activity:



| SECTORES | Variación porcentual interanual acumulada a febrero | |
|--------------------------------|---|--------------|
| | Serie Original | |
| | 2008 | 2009 |
| IMAE GENERAL | 4.2 | (4.4) |
| 1. Agrícola | 14.2 | (17.5) |
| 2. Pecuario | 1.8 | (7.0) |
| 3. Pesca | 4.8 | (1.9) |
| 4. Industria | (2.4) | 2.6 |
| 5. Construcción | 3.3 | (15.6) |
| 6. Minero | (13.1) | (17.7) |
| 7. Comercio | 7.5 | (3.4) |
| 8. Gobierno General | 4.1 | 6.0 |
| 9. Transporte y Comunicaciones | 9.9 | (4.3) |
| 10. Financiero | 4.2 | (5.7) |
| 11. Energía y Agua | 4.6 | (5.8) |

IMPACT OF ECONOMIC CRISIS ON CLIENTS

- Recession in sectors of **services and trade** due to decreased purchasing power of wage earners and aggregate demand.
- Wage earners **overindebted**.
- Cattle farming sector hit by 25% decrease in price of meat. Sector remains profitable but some producers, waiting for better prices, do **not pay on time**.

EFFECTS OF THE CRISIS ON THE ACTIVITY OF THE FDL

- **Financial cost** of funds has increased by 2% and average term has passed from 5 years to 24 months.
- Increase in **portfolio at risk**, but still less than average of regulated and non regulated MFIs.
- Problems of repayment still worsened by **movement of “non repayment”** in rural areas since arrival of left wing government.

HOW DOES THE FDL REACT TO THE CRISIS?

- Decrease from an average annual **portfolio growth** rate of 25% en two last years to 10% in 2009.
- **Increase liquidity** in order to strengthen the financial capacity.
- Show **flexibility for cattle farmers** by rescheduling debts until prices stabilize again.
- Diminish risks of financing MSMEs through **more rigorous analysis** of clients.
- Give **priority to the productive sector**, given that in the crisis, this sector still remains the most creditworthy and profitable.
- **Decrease volume of consumption credit** to sector of wage earners due to over indebtedness (percentage of portfolio reduced from 7% in 2008 to 3% in 2009).

FINAL COMMENTS

- Financial sector has to continue providing credit to the economy, because shortage of liquidity has a counter cyclical effect!
- The FDL will continue concentrating its financing to the rural agricultural sector because it is a profitable activity, producing basic food consumption and export goods.

Muchas gracias

More information under

www.fdl.org.ni

