Project Abstract

Background

Need for more rural and microfinance lending. In Guatemala, 54% of the population lives in rural areas, and yet the vast majority of commercial loan resources are focused in the capital city area. According the Superintendencia de Bancos, in December 2006, 82% of all commercial loans in Guatemala were located in the capital state of Guatemala, with only 18% of total loans covering the remaining 22 districts of the country. Banrural, the most important bank in Guatemala for rural areas, has 70% of its loan portfolio in rural areas and would like to expand its loan portfolio further into these rural districts. In addition, approximately 27% of Banrural's loans are less than $650, thereby facilitating the growth of the micro-enterprises and solidarity group sector.

Need for greater availability of housing finance in Guatemala. There exists a substantial qualitative and quantitative housing deficit of about 1.4 million units in Guatemala. Loan origination from commercial banks to support housing in Guatemala is very modest, about 10,500 units per year, although recently it has begun to grow more rapidly. Much of this lack of financing is because of the shortgage of long term funding for Guatemala's banks. According to data from the Superintendencia de Bancos, in December 2006, the total outstanding portfolio of construction and housing loans was $824.8 million, up from $686.9 million in December 2005. This sector represents approximately 13% of all loans in the country, compared with approximately 21% in Colombia and 20% in Chile.

Project Description

The purpose of this Project is to support Banrural in extending the tenor of its funding to support an increase in rural based lending, particularly low income housing and microfinance. The subordinated loan funding will also qualify as Tier II capital, thereby providing Banrural with additional capital to support its rapid growth in assets.

The proposed IDB loan would provide: a) US$20 million subordinated debt that will enable Banrural to raise its capital adequacy ratio; and b) a senior loan of US$5 million, with a tenor of eight years, which will provide additional long term funding to support housing loans. Additional subordinated debt of $20 million will be provided by Deutsche Investitions und Entwicklungsgesellschaft ("DEG") on the same terms as the IDB. Additional senior debt of $40 million will be provided by Citigroup, which is comprised of: a) US$10 million loan for five years; and b) US$30 million loan for 15 years which would be covered 100% by an OPIC guarantee. The total facility amount will be US$85 million.