

PROJECT ABSTRACT

Project name: Banco de Crédito Agrícola de Cartago Subordinated Loan
Project number: CR-L1068
Country: Costa Rica
Facility Type: Subordinated Loan
Department: Structured and Corporate Finance (SCF)
Division: Financial Markets (FMK)

I. PROJECT DESCRIPTION

The proposed project entails a subordinated loan (the “Loan”) to Banco Crédito Agrícola de Cartago (“Bancredito”) to support the expansion of its commercial loan portfolio to small and medium-sized enterprises (“SME”) in Costa Rica. The Loan would provide a subordinated loan (the “Loan”) of up to US\$10 million to be financed by IDB.

IDB PARTICIPATION

The proposed Loan would be made under the Subordinated Debt Facility LACC (RG-X1088) approved by the Board in August 2010, and it is the first use of this facility in Costa Rica. The project’s objective is threefold: (i) strengthen Bancredito’s capital adequacy and improve the efficiency in the use of capital by granting a subordinated loan which qualifies as Tier II under the Costa Rica regulation; (ii) improve the liquidity and foreign exchange position of the bank; and (iii) finance Bancredito’s portfolio growth in the SME segment, achieving a positive economic and social impact by expanding the banking penetration of the SME segment in Costa Rica.

By supporting Bancredito in the provision of credit to the SME segment in Costa Rica, IDB complements its strategy in the region by improving the competitiveness and efficiency of private sector development and expanding the sources of sustainable growth and poverty reduction.

This Loan is aligned with several strategic goals of the IDB as is the support for the strategy of inclusion, social policy for equity and of growth and social welfare, outlined among the main institutional priorities for the ninth general capital increase of the IDB (GCI-9).

The Loan contributes to the Costa Rica Country Strategy (2011-2014) in that it provides financial support to increase private investment through direct non-sovereign guarantee (NSG) interventions to SMEs through financial institutions. The Loan also contributes towards SCF’s vision targets to meet the funding needs of SMEs. Finally, it also promotes access to finance as part of the *beyondBanking* program.