

Public Information Summary

Host Country(ies)	Mozambique
Name(s) of Borrower(s)/Guaranteed Party(ies)	Absa Bank Moçambique, SA
Project Description	Loan portfolio guaranty to increase lending to SMEs in Mozambique’s agriculture sector.
Proposed DFC Loan/Guaranty	USD 8,250,000
All-Source Funding Total	USD 16,500,000
Policy Review	
Developmental Objectives	This Project is expected to have a highly developmental impact with loans to support lending to SMEs, with a focus on agriculture SMEs. Agriculture is the mainstay of the Mozambican economy, contributing more than a quarter of GDP and employing more than 70 percent of the total labor force. ¹ The agricultural sector is dominated by smallholders, though there are some larger enterprises engaged in production and agro-processing. ² These loans will improve access to finance to agriculture SME borrowers, which is important for the country as the sector is an important driver of employment and food security. The challenge has been even more pronounced from the COVID-19 pandemic, which resulted in an economic contraction in 2020. ³
Environment and Social Assessment	The Project has been reviewed against the DFC’s 2020 Environmental and Social Policies and Procedures manual (“ESPP”) and has been determined to be categorically eligible. DFC loan portfolio guaranties for the expansion of lending to micro, small, and medium enterprises are screened as a Category C for environmental and social assessment. These downstream investments are expected to result in minimal adverse environmental and social impacts. Therefore, all of those downstream investments have been pre-screened as Category C and further review and consent is not required for these investments.

¹ Country Development Cooperation Strategy (CDCS)– Mozambique, 2020-2025 USAID, February 24, 2021. <https://www.usaid.gov/sites/default/files/documents/CDCS-Mozambique-December-2025.pdf>.

² Country Development Cooperation Strategy (CDCS)– Mozambique, 2020-2025 USAID, February 24, 2021. <https://www.usaid.gov/sites/default/files/documents/CDCS-Mozambique-December-2025.pdf>.

³ Mozambique Overview, The World Bank. <https://www.worldbank.org/en/country/mozambique/overview>.

To ensure that the Guaranteed Party's investments are consistent with the DFC's statutory and policy requirements, the DFC loan portfolio guaranty will be subject to conditions regarding the use of proceeds. The primary environmental and social issues identified in this transaction relate to the need for an Environmental and Social Policy ("ESP") that meets the 2012 IFC Performance Standards.

Under the DFC's ESPP, the Guaranteed Party is required to comply with applicable local and national laws and regulations related to environmental and social performance and applicable provisions of the 2012 International Finance Corporation's Performance Standard ("PS") 1 and 2. A desk-review based due diligence assessment indicates that because the Project will use DFC support for the expansion of lending to small and medium enterprises (SMEs) in Mozambique in the sectors of agriculture/agribusiness and other areas, and significant adverse impacts concerning community health and safety, biodiversity, land acquisition and resettlement, indigenous people, and cultural heritage are not anticipated; therefore, PS 3, 5, 6, 7, and 8 are not triggered at this time. The Guaranteed Party does utilize private security to protect physical assets and therefore applicable sections of IFC PS 4, Community, Health, Safety, and Security are triggered.

The Guaranteed Party has an Environmental and Social Policy ("ESP") and an Environmental and Social Management System ("ESMS") that includes environmental and social risk identification and mitigation procedures and grievance mechanisms commensurate with its investment strategy; however, the Guaranteed Party will be required to update its ESMS, human resources policies, and security management and training to be in alignment with IFC Performance Standards.