

Public Information Summary

Host Country	Zambia
Name of Guaranteed Party	Absa Bank Zambia PLC
Project Description	Loan portfolio guaranty to increase lending to SMEs in Zambia’s agriculture, manufacturing, tourism, and clean energy (for cooking) sectors.
Proposed DFC Guaranty	USD 10 million
All-Source Funding Total	USD 20 million
Policy Review	
Developmental Objectives	This project is expected to have highly developmental impact by providing a guaranty on loans to SMEs in Zambia. The loan guaranty will enable Absa Bank Zambia to provide loans to SMEs in the agriculture, manufacturing, tourism, and clean energy (for cooking) sectors in Zambia. SMEs which receive loans will also receive sector-tailored technical assistance from Absa Bank Zambia, and from one of USAID’s technical assistance projects in Zambia. SMEs fill a key role in Zambia’s economy, comprising up-to 97% of businesses and employing 88% of workers ¹ . Zambia’s Seventh National Development Plan 2017–2021 emphasizes the need to expand access to credit to SMEs to meet their financing needs and promote their growth and development ² . Over the past six years, economic growth has slowed significantly in Zambia due in part to declines in agricultural productivity. The World Bank notes the importance of further agricultural development, including incorporation of climate-smart solutions to help farmers deal with variability in rainfall. The portfolio guaranty requires a minimum of 50% covered loans be utilized to support SMEs in the agriculture value chain.
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 to banks 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 those

¹ International Trade Centre. “Promoting SME competitiveness in Zambia,” April 9, 2019. <https://www.intracen.org/publication/SME-Competitiveness-Zambia/>

² Ministry of National Development Planning of Zambia. “Seventh National Development Plan 2017–2021,” 2017. <https://www.mndp.gov.zm/wp-content/uploads/2018/05/7NDP.pdf>

downstream investments have been pre-screened as Category C and further review and consent is not required for these investments. 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-based due diligence assessment indicates that because the Project will use DFC support to expand its small and medium enterprise ("SME") in the agriculture, manufacturing, tourism, and clean energy (cooking) sectors in Zambia, 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 unarmed private security and therefore, relevant aspects of IFC PS 4, Community Health, Safety, and Security are triggered.

The Guaranteed Party has a basic environmental and social management system ("ESMS") that is comprised of grievance mechanisms, environmental and social risk identification and mitigation procedures, and human resources policies commensurate with its investment strategy, but will require some strengthening regarding its environmental and social risk management and human resources policies to meet DFC's requirements.