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USAID/DFC PARTNERSHIP WITH ABSA BANK TO INCREASE ACCESS TO FINANCE IN THE AGRICULTURAL SECTOR

BACKGROUND

The agriculture sector in Mozambique is a leading driver of Mozambique’s economy, contributing about one quarter of its GDP and employing 80 percent of the national workforce. Despite its significance, agriculture productivity and growth remain relatively weak, with most agricultural production concentrated in subsistence farming. Mozambique’s agriculture productivity is well below the regional average, and there has been little progress in agricultural innovation. The lack of access to financial capital for small- and medium-sized enterprises (SMEs) and to competitive financial services tailored to agricultural production and agri-businesses act as barriers to overcoming these challenges. Most SMEs operate on a low-risk, low-input system resulting in poor productivity and low volumes. Without financial access, SMEs have little incentive to invest in productivity and quality-enhancing technologies and practices or otherwise shift production to align with market demands.

PROGRAM DESCRIPTION

To promote diverse, sustainable, and inclusive growth in Mozambique's most important and largest sectors, USAID and the U.S. International Development Finance Corporation (DFC) partnered with Absa Bank Mozambique to increase access to loans and other financial services for SMEs. This partnership with Absa Bank will support increased lending to SMEs, primarily those along the agricultural value chain. It will last ten years and will provide up to \$16.5 million in lending. These loans will increase the availability of working capital for these businesses in Mozambique, which may otherwise not have access to loans. Through this partnership, Absa Bank can expand access to financial services to agri-businesses SMEs across the country, which may encourage other banks to expand agricultural lending, providing long-term benefits for underserved borrowers in the agriculture sector.

EXPECTED RESULTS AND IMPACTS

This partnership aims to increase economic growth in the private sector, promote diversification of the economy, and reduce the financing gap in the agriculture sector. It is expected that 75-100 loans will be disbursed, with 70% of total lending directed to the agriculture value chain and at least 15% of total lending to women-owned businesses, with an average loan size per borrower of approximately \$220,000.

PARTNER Absa Bank Mozambique	GOALS: <ul style="list-style-type: none"> • Increase access to innovative finance for SMEs to strengthen productivity, improve business efficiency and increase food security. • Support women-owned businesses 	LIFE OF ACTIVITY: October 2021 - September 2031	USG FUNDING \$823,350 to leverage \$16.5 million in financing
		GEOGRAPHIC FOCUS: Nationwide	USAID CONTACT: Peter Gauthier pgauthier@usaid.gov