



USAID
FROM THE AMERICAN PEOPLE

LOAN PORTFOLIO GUARANTEE – DEVELOPMENT CREDIT AUTHORITY

GOALS

- Support resilient, broad-based economic growth, accelerated through increased agricultural sector growth and food security with an emphasis on women and improved business climate to attract investment and create jobs.
- Allow implementing partners to expand into new geographical areas and to new clients in order to mitigate the risks of lending to the agricultural sector and new regions of Mozambique.
- Build the capacity of farmers and micro, small, and medium agribusinesses, linking them to financial institutions, and assisting them to qualify for loans in Mozambique.

LIFE OF ACTIVITY

September 2009 to September 2024

TOTAL USAID FUNDING

\$1.87 million to leverage \$42,655,850 in finance for agriculture

GEOGRAPHIC FOCUS

All provinces except Maputo City

IMPLEMENTING PARTNER

MyBucks (former Banco Oportunidade de Mocambique; Moza Banco (former Banco Terra), Banco Unico, e Banco SOCREMO

USAID CONTACT

Elsa Mapilele

E-mail: emapilele@usaid.gov

BACKGROUND

Mozambique's agricultural sector comprises an overwhelming majority of smallholder farmers. About 70 percent of the population is engaged in agriculture, which serves as the main economic sector in Mozambique (24 percent of GDP). Only 16 percent of the country's 36 million hectares of arable land is currently under cultivation. In addition, due to obstacles such as lack of access to financing, markets and quality inputs, productivity of small-holder, family-based agriculture is very low. Agricultural development is the key to reducing poverty. USAID agriculture focused programs use a value chain approach to strengthen the agribusiness sector through improved linkages between smallholder farmers and large commercial agribusinesses, processors, and traders. Productivity, processing, and marketing of staple agricultural commodities are expanded by enhancing access to finance, forging public-private partnerships, providing business development services, and improving the business-enabling environment.

PROGRAM DESCRIPTION

The Loan Portfolio Guarantee (LPG) facility is established under the Development Credit Authority (DCA) program and in Mozambique is represented through agreements with five commercial banks for the provision of loans to agribusiness enterprises in rural Mozambique. The project's main objective is to expand access of financial services to micro, small and medium agribusinesses in targeted areas. Increased access to agricultural loans for small and medium enterprises encourages partner banks to enter into agricultural lending. The project permits partner banks to expand to new geographical areas, helps mitigate the risks of lending to the agricultural sector, and extends loans to new beneficiaries while reducing collateral requirements. Loans are provided across the value chain to farmer groups, associations or cooperatives, producers, processors, wholesalers, retailers and exporters, which are primarily

seeking working capital for marketing activities as well as small and medium agribusinesses involved in input supply and trading of agricultural commodities. The project has a special focus on the Beira and Nacala corridors (where USAID/Mozambique conducts most of its agribusiness technical assistance). With only \$1.8 million invested, the Mission was able to leverage \$33.8 million in finance for agriculture.

EXPECTED RESULTS/IMPACTS

The LPG supports USAID/Mozambique's development objective of supporting resilient, broad-based economic growth, accelerated through increased agricultural sector growth and food security in focus provinces with an emphasis on women and improved business climate to attract investment and create jobs. To date, the DCA program has provided loans to 1,720 private agribusiness enterprises for a total cumulative amount of \$17,288,580 or 41% of the entire facility.