USAID/Zambia ECONOMIC DEVELOPMENT

DEVELOPMENT FINANCE CORPORATION (DFC)

Through utilization of Loan Guarantees, USAID partners with the U.S. International Development Finance Corporation (DFC) to lower the risks for financial institutions enabling their lending to promising businesses, individuals, and small enterprises across different sectors including agriculture and clean-energy agriculture solutions. Improving access to productive loans develops well-paying jobs, new economic opportunities, and sustainable long-term development.

- **Life of Project:** 2012 - 2023
- **Geographic Focus:** National
- **Implementing Partners:** Zambia National Commercial Bank (ZANACO), Madison Financial and Standard Chartered Bank
- **Total USAID Funding:** Guarantees for up to $93 million in loans
- **USAID/Zambia Contact:** David Mpundu - dmpundu@usaid.gov

The DFC portfolio in Zambia consists of three loan guarantees with financial institutions. They include agreements with Zambia National Commercial Bank (ZANACO), Standard Chartered Bank, and Madison Financial Services Company.

The loan guarantee with ZANACO focuses on lending to the agricultural sector. The DFC guarantee strengthens ZANACO’s ability to provide loans to businesses involved in agriculture.
value chains thereby stimulating economic growth. The loan guarantee backed 50 percent of the loan risk for $25 million of loans from ZANACO, covering those loans until September 2023.

The loan guarantee with Standard Chartered Bank enabled ZESCO Limited to obtain a loan of $60 million to finance improvements and extensions to ZESCO’s transmission and distribution system. The guarantee backs 50 percent of the loan.

The loan guarantee with Madison Finance Company supports Zambian farmers to purchase renewable energy technologies such as biodigesters, solar pumping and irrigation kits, and solar home systems. The guarantee backs 50 percent of loans up to a total of $8 million (25 percent loan coverage by DFC, 25 percent loan coverage by the Swedish International Development Agency). The final date for placing loans under this guarantee is 29th September 2022. The utilization rate is low at only 6.6 percent owing primarily to high interest rates.

**Expected Results**

DFC intends to increase access to financing for individuals and businesses that may otherwise struggle to qualify, and specifically target the agriculture, energy and power sectors. The loan guarantee with Standard Chartered Bank and ZESCO is expected to produce 200,000 new electricity connections.