

## Public Information Summary

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**Host Country(ies)**

Kenya

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**Name of Counterparty / Issuer**

Co-operative Bank of Kenya Limited

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**Project Description**

Loan portfolio guaranty with 50% coverage to increase the Guaranteed Party's ability to provide loans to individuals, cooperatives, and SMEs in the agricultural value chain in Kenya, thereby stimulating economic growth.

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**DFC Product Type**

Loan Portfolio Guaranty

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**DFC Investment / Insured / Equity Amount**

\$19,500,000

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**Total Project Costs**

\$39,000,000

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**U.S. Involvement**

N/A

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## **Policy Review**

### **U.S. Economic Impact**

The Project is not expected to have a negative impact on the U.S. economy.

### **Developmental Objectives**

Access to finance is a challenge for SMEs in Kenya, which face an annual financing gap of \$18.2 billion. SMEs in the agricultural sector face additional challenges securing access to financial products that are tailored to their specific needs, for example, loans for high-quality, unadulterated agricultural inputs. While the agricultural sector contributes between 20% and 30% of GDP in East African countries, it receives only between 2% and 7% of total bank credit. Access to finance for women-owned/led SMEs in the agricultural sector is especially challenging, since most programs designed to support women entrepreneurs accessing credit focus on non-agricultural activities.

In response to these challenges, the Project is expected to have a positive development impact in Kenya by de-risking the Co-operative Bank of Kenya's lending to SMEs and cooperatives in the agricultural sector, allowing the Bank to increase its lending in the sector, and increasing access to finance and high-quality agricultural inputs for SMEs. DFC has qualified the Project as 2X based on the Borrower's intent to exceed the 2X criteria for women representation in employment, and the percentage of Project proceeds allocated to 2X eligible portfolio companies. The Project is expected to allocate 34% of proceeds to women-owned/led SMEs in the agricultural sector. Given the Project's characteristics, it is expected to be categorized as Highly Impactful per DFC's Impact Quotient (IQ).

### **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 loans to financial institutions who will utilize the loan to expand their micro, small, and medium enterprise lending are screened as a Financial Intermediary C (FI-C) for environmental and social assessment. These downstream investments are expected to result in minimal adverse environmental and social impacts. Therefore, all those downstream investments have been pre-screened as low risk and further review and consent is not required for these investments.

To ensure that the Bank's investments are consistent with the DFC's statutory and policy requirements, the DFC loan 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 Bank 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 the expansion of the Bank's SME lending in Kenya, significant adverse impacts concerning biodiversity, land acquisition and resettlement, indigenous peoples, and cultural heritage are not anticipated; therefore, PS 3, 5, 6, 7, and 8 are not triggered at this time. The Bank does

utilize private security and as such, relevant aspects of IFC PS 4, Community Health, Safety, and Security are triggered.

The Bank has a basic environmental and social policy, grievance mechanisms, and human resources policies that generally align with the expectations listed in the DFC's 2020 Environmental Policy and Procedures and IFC PS 1 and 2. The Bank will be required to provide updates to its Environmental and Social Policy regarding GHG emission tracking, child and forced labor risk assessments, and security guard training to align with DFC's expectations as a condition of receipt of DFC support.