

Public Information Summary

Host Country(ies)	Malawi
Name(s) of Borrower(s)/Guaranteed Party(ies)	NBS Bank PLC (“NBS”)
Project Description	Loan portfolio guaranty to increase lending to micro-, small-, and medium-sized enterprises (“MSMEs”) in Malawi, focusing on the agriculture, clean cooking, fisheries, and sustainable forestry sectors.
Proposed DFC Loan/Guaranty	USD 5 million
All-Source Funding Total	USD 10 million
Policy Review	
Developmental Objectives	This project is expected to have a highly developmental impact by providing a guaranty on loans to MSMEs in Malawi. The loan guaranty will enable NBS to provide loans to MSMEs in the agriculture, clean cooking, fisheries, and sustainable forestry sectors in Malawi. NBS and MSMEs will also be supported with sector-tailored technical assistance from one of USAID’s technical assistance projects in Malawi. MSMEs fill a key role in Malawi’s economy. The Malawi Growth and Development Strategy (MGDS) III 2017 – 2022 emphasizes the need to expand access to credit to MSMEs, including agriculture MSMEs, to meet their financing needs and promote their growth and development ¹ . The World Bank also identifies the importance of further MSME development, noting that access to finance is a key constraint for MSMEs, as only 10 percent of medium enterprises, 5 percent of small enterprises and 3 percent of micro enterprises have credit from a commercial bank. ² The portfolio guaranty requires a minimum of 50% covered loans be utilized to support MSMEs in the agriculture, clean cooking, fisheries, and sustainable forestry sectors.
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 Ministry of Finance, Economic Planning and Development. “Malawi Growth and Development Strategy (MGDS) III”, 2018. https://npc.mw/wp-content/uploads/2020/07/MGDS_III.pdf

² World Bank. “The World Bank Financial Inclusion and Entrepreneurship Scaling Project (P168577) Project Information Document (PID)”, May 11, 2020. <https://documents1.worldbank.org/curated/en/604841589281422920/pdf/Project-Information-Document-Financial-Inclusion-and-Entrepreneurship-Scaling-Project-P168577.pdf>

	<p>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.</p> <p>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-review based due diligence assessment indicates that because the project will use DFC support to expand lending to MSMEs in Malawi, 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 privately contracted security and as such, relevant aspects of PS 4, Community Health, Safety, and Security are triggered.</p> <p>The Guaranteed Party has an ESP, 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.</p>
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