

Summary of Investment: Futuro Mcb – Inclusive Microfinance, Mozambique

Project Name	Futuro Mcb – Inclusive Microfinance
Country	Mozambique – Nampula Province
Region	Sub-Saharan Africa (ESA)
Status	Pending Approval
Environmental Category	B
Sector	Rural MSMEs and Smallholders
Industry	Financial Institution
Date of Disclosure	26 November 2021
Projected to be presented at the Board	14 December 2021

Project Description and expected development results

IFAD is proposing to provide up to US\$ 2.0 million in senior debt financing to Futuro Microcredit Bank (mcb) S.A. ("Futuro") to expand Futuro's microfinance portfolio, both in individual and in group lending. This alleviates poverty among smallholder farmers and microenterprises, helping them build better and in a more resilient manner given the COVID 19 results. The target area, rural Nampula province, is one of the poorest regions in the country. The total size of the Project is US\$ 3.5 million (IFAD Loan of US\$ 2.0 million). The Project will be implemented during five years. IFAD's loan will finance on-lending to approximately 21,000 borrowers, of which 10,000 individual borrowers and 11,000 members of borrower groups during the project period. Targeted beneficiaries (borrowers) are active in the food system – as smallholder farmers, traders, or processors, or input providers, or service providers to smallholders and agri MSMEs. Around 75% of the direct beneficiaries (borrowers) are expected to be Women and 30% Youth. The project has also a financial inclusion ambition as around one fourth of borrowers reached are expected to receive loans for the first time. Leveraging on its own resources and supported by donors and providers of technical assistance (TA), Futuro will, during the project period, also increase the number of borrowers receiving basic insurance services and will support up to 70% of its clients using digital payment solutions as a cost-effective way of financial inclusion notably in remote areas.

Sponsor/Cost/Location

Futuro Mcb is a regulated, deposit-taking microfinance bank domiciled in Nampula, a northern province of Mozambique. Futuro's core business is the provision of micro and SME loans to predominantly rural clients in the district of Nampula, and also, since recently, in other rural northern Mozambique districts. The focus on Nampula was deliberately chosen when creating the bank as this province, jointly with the central province of Zambezia, is among the poorest in the country. Nampula also has a very high share (approximately 99.6 per cent) of small farmers cultivating less than 1-2 ha. Futuro follows both a group lending methodology, with usually women borrower groups of 5 members, but also lends to individuals and MSMEs. The institution's business plan foresees increasing the number of total borrowers by approximately 33 per cent until end-2022. Most of the individual borrowers are former group-borrowers who managed to grow their businesses. Futuro also offers deposit accounts, digital payment solutions, and insurance services to its clients.

Futuro's inclusive rural finance practice has strong complementarities and linkages with IFAD's sovereign activities in Mozambique, notably the Rural Markets Promotion Programme (PROMER), Inclusive Agri-food Value-chains Development Project (PROCAVA), Small Scale Aquaculture Promotion Project (PRODAPE) and Rural Enterprise Financing Project (REFP) through the provision of further financing for the targeted beneficiaries in Nampula province.

Additionality

Financial additionality: IFAD's investment will come at a time when Futuro, founded only in 2017, will have just achieved operational profitability, and is, for the first time, approaching external microfinance lenders to grow its lending activities, notably to underserved groups, but receives the response of being perceived as too high a risk, despite its strong growth potential in the Nampula province. Furthermore, this is the first major debt transaction in three years by an international lender (including DFIs and microfinance debt funds) in the Mozambique microfinance market, which is expected to have high visibility and huge potential for catalyzing further financing, even beyond Banco Futuro.

Non financial additionality: Adding to the strong social orientation and impact monitoring already established, Futuro will, as a borrower of IFAD, also develop and implement a comprehensive environmental and social management system (ESMS).

Contact

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