

## Summary of Investment: NBS Bank – Financial Inclusion in the Agricultural Value Chains, Malawi

<b>Project Name</b>	NBS Bank – Financial Inclusion in the Agricultural Value Chains.
<b>Country</b>	Malawi
<b>Region</b>	Sub-Saharan Africa (ESA)
<b>Status</b>	Pending Approval
<b>Environmental Category</b>	B
<b>Sector</b>	Rural MSMEs and Smallholders
<b>Industry</b>	Financial Institution
<b>Date of Disclosure</b>	4 August 2023
<b>Projected to be presented at the Board</b>	19 September 2023

### Project Description and expected development results

In line with its mandate, IFAD proposes to provide up to US\$ 5 million in the form of a senior debt to the New Building Society Bank Plc (NBS), a commercial bank with a strong footprint in rural areas and a track record in working with the Malawian Government and IFAD, to promote agriculture value chains in the country. This senior loan aims to support NBS in scaling up its lending to small producers in the aftermath of COVID-19, Ukraine crisis, and the Freddy cyclone, facilitating the rebuilding of livelihoods in a more resilient manner, fostering sustainable productivity improvement, increased income, and job creation in rural areas of Malawi..

IFAD is not only providing a debt instrument that NBS was previously unable to secure to meet the specific financing needs of the tea and macadamia value chains but also incentivizes NBS to increase its portfolio directed at IFAD's priority groups, notably women, youth, and small-scale producers in rural areas. To ensure the success of the non-sovereign operation (NSO), technical assistance will be provided by Rabobank.

the project will be implemented during ten years,

The proposed NSO aligns with IFAD's Country Strategic Opportunities Programme (COSOP), 2023-2030 for Malawi and has a high potential for strong complementarities and linkages with IFAD's sovereign activities in Malawi.

The loan proceeds will directly benefit 90,000 individuals, including 36,000 women (40%), 18,000 youth<sup>1</sup> (20%), and 54,000 rural poor<sup>2</sup> (60%), ultimately impacting around 450,000 people, considering direct and indirect beneficiaries. NBS is committed to introducing innovative financial products, including affordable climate risk insurance, long loan maturity, and digital delivery channels, catering to the needs of players in the tea and macadamia VCs, such as farm input providers, small producers, and producer organizations. These products will be a pioneering development in the Malawian financial sector, effectively addressing the specific demands within the tea and macadamia sub-sectors.

### Sponsor/Cost/Location

NBS is a fully-fledged commercial bank that provides various financial services to individuals, groups, MSMEs, large corporations, and public institutions. The bank was established as a financial institution under "The Banking Act" in March 2004 and commenced its banking operations in July 2004. In June 2007, NBS was listed on the Malawi Stock Exchange. The ownership structure of NBS is as follows: the main shareholder and parent company, NICO Holdings, holds 50.1% of the shares, the public

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<sup>1</sup> The Government of Malawi (GoM), through its National Youth Policy (NYP) (2013), defines a youth as person aged between 10- 35 years.

<sup>2</sup> Poor people are defined, according to the WB definition (early 2022) as people living on less or equal to US\$ 1.9 [MWK 1,500] per day.

holds 25% of the shares, and the Public Service Pension Fund holds 12% of the shares. The remaining 12.8% of shares are owned by other eight shareholders, each owning 2% of shares or less.

NBS is located in Blantyre, in the Southern province of Malawi, and the bank operates in all provinces of the country. IFAD's funds will finance the tea and macadamia sub-sectors across the entire country. The bank expects to raise US\$20 million (including IFAD's US\$5 million) for the tea and macadamia VCs. An amount exceeding US\$13 million is currently under discussion with OIKOCREDIT, AgriFI (EDFI), and the ABC Fund.

## **Additionality**

### Financial additionality:

IFAD will offer strong financial additionality by providing NBS with a financing facility in foreign currency that meets the long-term financing needs of tea and macadamia value chains that the bank was unable to find from the market. Additionally, IFAD's reputation as a leading International Financial Institution specialized in rural agricultural development should provide comfort to other debt lenders and promote the implementation of NBS's fundraising plan of US\$20 million for the two value chains.

### Non-financial additionality:

IFAD's fund will lead to the strengthening of the Bank's Environmental, Social, and Governance policies and internal procedures to adhere to the standards set by the Social, Environmental, and Climate Assessment Procedures (SECAP). Additionally, IFAD's financing has played a crucial role in attracting technical assistance from Rabobank, which will provide business coaching for Agri-SMEs and agricultural training, along with financial literacy programs for producers' organizations. With IFAD's loan, NBS Bank will be able to offer customized financial products that cater to the specific needs of beneficiaries, including embedded climate risk insurance. Moreover, the partnership with the IFAD programme Financial Access for Rural Markets, Smallholders and Enterprise (FARMSE) will lead to an increase in access to finance, particularly in rural areas, by leveraging the mobile banking platform.

## **Contact**

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