

NIRSAL
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Your agribusiness partner

FINANCING AND RISK SHARING

A PRESENTATION OF NIRSAL Plc. AT THE ENABLE
YOUTH PROGRAM DESIGN WORKSHOP, ABUJA,
NIGERIA

22 APRIL 2016

BY

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ABOUT NIRSAL

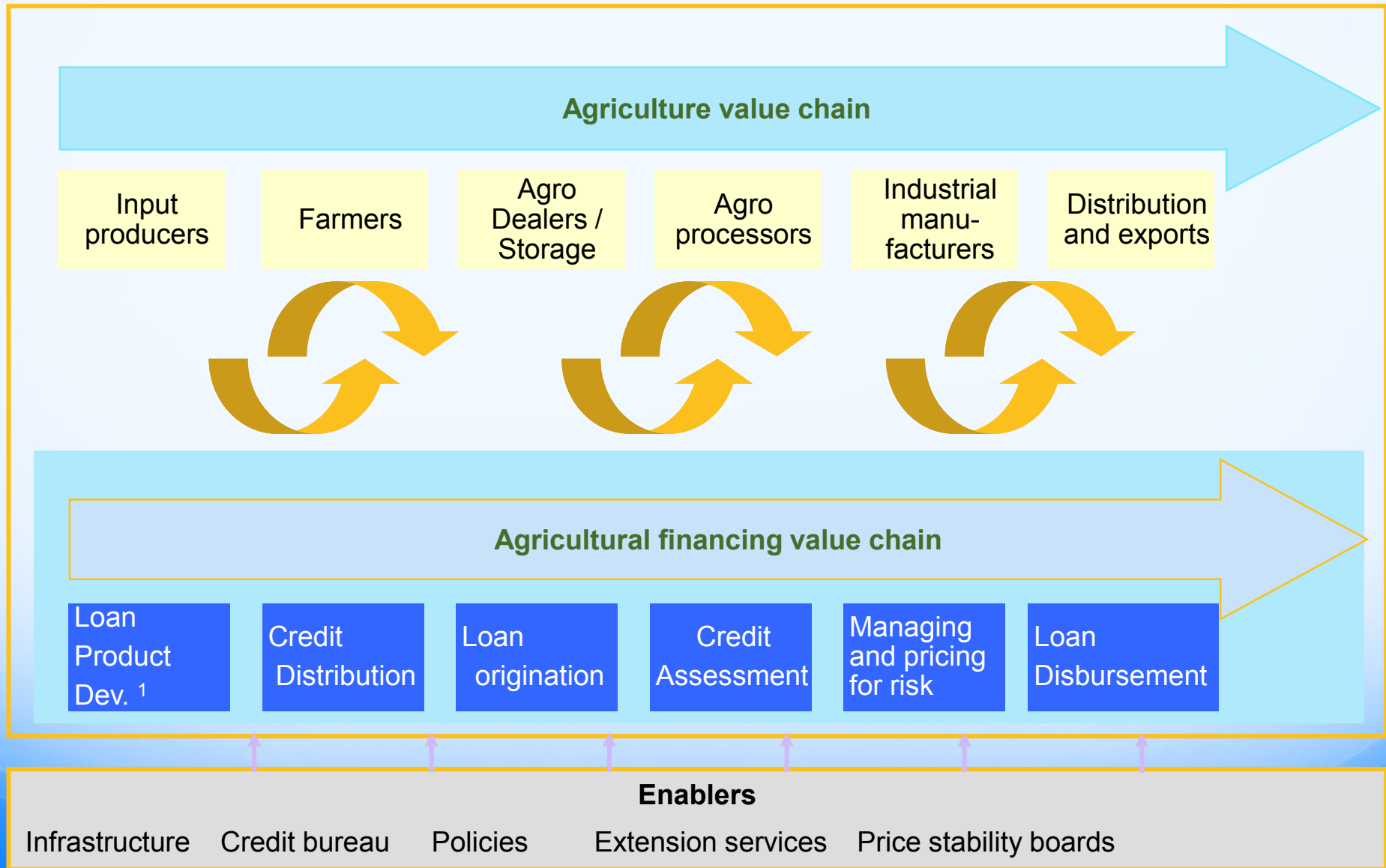
NIRSAL Plc, The **Nigeria Incentive-Based Risk Sharing** system for **Agricultural Lending** (NIRSAL) was incorporated in 2013 as a \$ 0.5Bn (\$500Million) public-private initiative (wholly owned By the Central Bank of Nigeria) designed to appropriately Define, Measure , Price and share agribusiness related credit risk.

- Applies Funds along its 5 pillars of: Risk Sharing (\$300Mill), TA (\$60Mill), Innovative Insurance Products Dev. (\$30Mill), Bank Rating (\$15Mill), Bank Incentive (\$100Mill)
- Mobilizes financing for Nigerian agribusiness by using credit guarantees to address the risk of default
- Nirsal provides a flexible financing tool designed to change the behavior of financial institutions.

RATIONALE FOR ESTABLISHING NIRSA

- To fix agricultural value chains in order to provide platform in de-risking agricultural lending.
- To mobilize financing for Nigerian agribusiness by using credit guarantees to address the risk of default.
- To Provide technical assistance through capacity building across the value chains.
- To reduce the cost of borrowing
- To Provide technical advice to agribusinesses.

MODE OF OPERATION:- NIRSAL creates access to finance by integrating end-to-end agriculture value chains with financing value chains . . .



¹ Includes working capital loans; fixed asset finance; trade finance

STATE OF NIGERIA'S AGRICULTURAL FINANCE BEFORE NIRSAL

By 2015 Nigeria's formal financial system is lending 4.7% of all formal credit to the agricultural sector which represents progress as against 4 years ago when only about **1.4%** of all credit went to agriculture; note that since 1980s, levels of lending have remained low despite a series of Central Bank of Nigeria's interventions e.g.

- Agricultural Credit Guarantee Scheme Fund (ACGSF): ₦52 billion guaranteed
- Agricultural Credit Support Scheme (ACSS): ₦50 Billion pool
- Commercial Agriculture Credit Scheme (CACCS): ₦200 Billion in on-lending

.....CONT'D.

As a result of the lessons learned from running such financing schemes, CBN decided to change how it supports the financing of agriculture, the changes included but were not limited to:

- Focus more on guarantees rather than placing credit/funds directly with banks
- Use mix of incentives and penalties to shape financial system behavior
- Address challenges in the value chain by providing extensive technical support etc

NIRSAL SCORECARD

Even as a Project Implementation office under incubation within the Development Finance Department of the CBN, between 2013 to 2015, and with a staff strength of only 12, NIRSAL was able to achieve the following performance metrics:

- **₦61.160 billion** were guaranteed. Similarly, the sum of **₦753.36 million** was paid out as interest rebate to borrowers who were in good standing to encourage good repayment thereby minimizing default.
- NIRSAL has guaranteed up to **40% (207)** of the Federal Ministry of Agriculture's Growth Enhancement Scheme (GES) projects Valued at **₦39.49 Billion** and Paid Interest Draw Back to GES beneficiaries on **91** Projects valued at **₦439.09.82 Million**
- Trained 112,000 farmers/primary producers in 4 value chains: Rice, Cocoa, Cotton and Tomato

OPPORTUNITIES

- Nigeria Food Import substitution market of N2.2 trn by 2014
- Domestic Market of 180 Mill People
- Hundreds of Billions of Naira worth of Agro-Industrial Markets

CHALLENGES TO AGRICULTURAL LENDING

- Many banks do not understand Agri-lending well and therefore perceive it as high risk.
- Credit assessment processes are poor and transaction cost are high because innovative Origination & Distribution channels are not often used.

HOW NIRSAAL ADDRESSES THESE CHALLENGES

- Nirsal Credit Risk Guaranty (CRG)
- Interest Draw Back (IDB)
- Capacity Building for Banks and MFIs

NIRSAL MODEL FOR LEVERAGE & RISK SHARING FOR FINANCING THE ENABLE YOUTH PROGRAM

S/N	AGRIC. VALUE CHAIN YOUTH ENTERPRISES	GUARANTEE LEVEL (LEVERAGING FUND)		Interest Drawback (Spend) By AfDB/FMARD	Equity Funds (Disbursable) By AfDB/FMARD	Loans (Disbursable) By Commercial Banks
		NIRSAL	AfDB			
1	Research and Application of Science, Technology & Innovation by Youth Private extension Services	Suitable for Support		Development		Financing
2	1 ⁰ Production	50%	50%	50%	30%	100%
3	1 ⁰ Processing / Aggregation	50%	50%	50%	30%	100%
4	2 ⁰ Processing /SME Processing	50%	50%	50%	30%	100%
5	Mechanization	50%	50%	50%	30%	100%
6	Logistics (Transportation & Ware Housing)	30%	70%	50%	30%	100%
7	Marketing (branding, Advert and Distribution)	30%	70%	50%	30%	100%
8	Wholesale and Retail	30%	70%	50%	30%	100%
9	VC Service Provider (Admin, Legal, IT etc.)	30%	70%	50%	30%	100%

RATIONALE FOR NIRSALE-ENABLE YOUTHS FINANCING MODEL

- Achieve a leverage of 1:4 i.e \$150 of AfDB Fund for \$600 of Commercial Bank Finance
- Model is Sustainable(Imposes Discipline of Commercial Finance ab-initio), Revolving and Scalable to new sets of youth periodically
- Model can achieve very low single digit interest rates(6%)
- Allows Youths to borrow/utilize funds responsibly and Creates exit strategy for Government as youths are gradually mainstreamed into permanent commercial relationships with finance & Markets

NIRSAL OPERATIONAL ENGAGEMENT MODEL FOR THE ENABLE YOUTH PROGRAM

In addition to the deployment of its CRGs, TA, Pre-guarantee Project Risk Analysis, Nirsal can also provide the following

- ◆ Support post disbursement project monitoring and reporting on a near real-time basis
- ◆ Deploy applied GAP training and precision agriculture in all its projects for optimization of outcomes.
- ◆ Originate bankable (risk-controlled) projects through its business development services for banks to action.
- ◆ Create efficient market access models for value chain outputs

THANK YOU