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Fourth Annual Symposium

of the

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Serving the Agricultural Sector Through Micro-Banking

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Table of Contents

Executive Summary

The Nigeria Microfinance Platform successfully hosted the fourth (4th) annual Symposium for member microfinance banks/financial institutions of the platform, professionals across the financial services industry, agricultural industry practitioners, various Government Organizations/Parastatals, smallholder farmers and other stakeholders involved in agricultural businesses.

The symposium held on Thursday, 24th May, 2018 at Best Western Hotel, Benin City, Edo State with the theme: Serving the Agricultural Sector through Micro-banking. There were in attendance about 200 participants from the public and private sectors. The symposium was supported by LAPO MfB, NPF MfB, Accion MfB, La Fayette MfB and AFOS Foundation.

The Chairman of the event, Deputy Governor (Financial System Stability) of the Central Bank of Nigeria (CBN), Mrs. Aisha Ahmed, was represented by Mr. Ekpo Bassey-Duke who delivered the opening speech. Goodwill messages were delivered by Mrs. Tokunbo Martins, Director, Other Financial Institution Supervision Department (OFISD), CBN who was also represented by Mr. Ekpo Bassey-Duke, Mr. Hans Joachim Maurer, the MD/CEO of AFOS Foundation, Alhaji Umaru Ibrahim, MD/CEO, Nigeria Deposit Insurance Corporation (NDIC) who was represented by Mr. Joshua Etopidiok and Mr. Monday Osaigbovo, the Commissioner for Agriculture and Natural Resources, Edo State.

The Symposium was structured into technical paper presentations and panel discussion with carefully selected experts, practitioners as well as discussants that shared experiences and suggested possible ways forward. The keynote paper was delivered by Dr. Mudashir Olaitan, Director, Development Finance Department (DFD), CBN who was represented by Mr E.A Osha, followed with five technical papers delivered by Dr. Michael Marx, Long-term Expert (AFOS Foundation-Germany), Mr. Tony Fosu, CEO of Sinapi Aba Savings and Loans, Ghana, Dr. Godwin Ehigiamusoe, MD/CEO, LAPO Microfinance Bank Limited, Dr. Johannes Flosbach, Corporate Strategy and Business Development, CHI Farms and Dr. Aliyu Abdulhameed, MD/CEO, The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending Plc (NIRSAL). The traditional institution of the Palace of the Oba of Benin was represented by Chief D.U. Edebiri, Esogban of Benin Kingdom.

The panel discussion that followed was moderated by Dr. Biodun Adedipe, Chief Consultant, B. Adedipe Associates Limited and the discussants were Mr. Akin Lawal, MD/CEO, NPF Microfinance Bank Plc, Mr. Rogers Nwoke, MD/CEO, Hasal Microfinance Bank Limited and Mr. Taiwo Joda, MD/CEO, Accion Microfinance Bank Limited who was represented by Mr. Tunde Omolere, the bank's Chief Operating Officer.

The theme of the 4th symposium was timely and highly relevant particularly because the sector played an important role in getting the country out of the economic recession of 2016/2017. The symposium provided participants a platform to discuss the challenges of agricultural finance in Nigeria from the different perspectives of the regulators, international experts, financial institutions, agric-business practitioners and an entity that de-risks.

No doubt, the challenges in the agricultural sector are huge but surmountable if the right strategies and agreed implementation roadmaps are followed through. As such, the involvement of MfBs in the agric sector should be viewed as an intervention strategy for poverty reduction, especially in the rural areas.

The focal point of the presentations as well as the panel discussion was that while there is no single policy prescription that can address all the challenges, particular attention should be accorded robust policy framework to improve access to all players, incentivizing microfinance banks for expanding credit to the agricultural sector, interest rate pricing should be on APR should be changed from Annual Pricing Rate to Annual Percentage Rate basis in order to enhance transparency and comparability in the market, MfBs/MfIs should have dedicated institutional structure, explore partnerships and collaborations, have de-risking and insurance coverage, identify clusters and work with value chains, develop capacity for MfBs, farmers and even regulators, and the government should create an enabling environment and processes that allow farmers and financiers to work together profitably.

In conclusion, the Symposium recognized the need for collaborative effort by all the stakeholders in order to surmount the challenges in agricultural finance. More so, policy makers should consider introducing sectoral allocation of credits with focus on agriculture and channel more financial resources through the rural MfBs in particular. It was agreed that NIRSAL would engage more with MfBs to organise sessions and design products that would assist the MfBs to serve the agricultural sector better.

Communiqué

At the end of the symposium, a number of key decisions, recommendations and resolutions evolved, and they are listed as follows:

1. Achieve financial inclusion target of 80% by year 2020.
2. Regulators to provide incentives for innovative products and services to the microfinance sub-sector.
3. Operators should collaborate in order to design mobile driven banking products and services to people mostly in the rural parts of Nigeria. The viability of microfinance banks imbibing digital financial system (DFS) in savings mobilization and providing financial services that will drive financial inclusion, is hinged on effective and cost-friendly collaborations.
4. The type of products designed should be customised and specific for the profile of the different customers and not a one-size-fits-all approach.
5. MfBs should explore the opportunities to bundle micro-savings products along with micro-insurance and micro-pension products to further deepen their offerings.
6. Fast track digital financial payments system in microfinance banks and invest in digital technology. While it may be expensive for some MfBs, shared technology platforms can be easy to deploy. Microfinance banks should therefore intensify partnership towards a shared digital platform.
7. In embracing technology, the emergent risks should be identified, understood and adequately managed. Similarly, financial and operational risks must be carefully managed and mitigated by the regulatory framework to avoid moral hazards.
8. MfBs should look at the option of giving free advisory services to customers as a form of subtle marketing.
9. Microfinance banks should build the capacity for their staff to use the IT platforms to provide seamless banking services.
10. Review banking methods and approaches to service delivery, using technology such as FinTech.
11. Encourage savings mobilization mostly in the North Central, North East and North West geopolitical zones of Nigeria.
12. Develop marketing strategies that would attract those that save at home and other informal places.
13. Capable MfBs should be included in the cheque clearing system. MfBs should collaborate to promote this course.
14. The Association of Microfinance Banks needs to work to develop a self-regulatory system that enables them to address their risk factors, engage regulators and

promote sustenance within the sector.

15. Microfinance banks should engage in shared agent network through their association, managed by a third party such as the approved CBN super-agent or, MfBs can join resources to have their own agency network.

16. Operators should have a holistic survey to get better understanding of what will create customers' trust in microfinance banks.

17. Improve consumer awareness about successful microfinance banks in order to boost confidence in the sub-sector.

18. Microfinance banks should continuously review the quality of the services they offer.

19. Extend credit bureau services to more microfinance banks.

20. Expand stakeholder linkages and collaboration to create an enabling environment for microfinance banks.

21. MfBs should look at the option of sub-associations / sub-committees for the different tiers of MfBs because they all have their unique challenges – National, State and Unit.

Opening Speech

Mrs. Aisha Ahmed, Deputy Governor (Financial System Stability), Central Bank of Nigeria (CBN)


Mr. Ekpo Bassey-Duke, Deputy Director, OFISD delivering the opening speech as representative of the Deputy Governor, (Financial System Stability)

Mr. Ekpo Bassey-Duke represented the Deputy Governor, Financial System Stability, CBN, Mrs. Aisha Ahmad, welcomed everyone and expressed his delight at the organisation of the 4th Annual Symposium of the Nigerian Microfinance Platform. He remarked that the theme of the Symposium ***"Serving the Agricultural Sector through Micro-Banking"*** is very apt, especially that the country had just come out of economic recession, which was evidently aided by the achievements of the agricultural sector in the last two years. It is therefore, imperative to sustain this growth through grassroots players.

Mr. Ekpo then highlighted the role that the Central Bank of Nigeria has played in agricultural sector finance since 1977 through the following schemes:

1. Agriculture Credit Guarantee Scheme Fund (ACGSF);
2. Commercial Agriculture Credit Scheme (CACS) (N200 billion) in 2009 and;
3. Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL), (N75 billion) in 2011.

More so, the current administration of the Central Bank has also rolled out other agriculture programmes of enormous benefits to the country, among which are:

- The Special FGN Fertilizer Intervention Programme in 2015
- National Food Security Programme in 2015
- Anchor Borrowers' Programme (ABP) in 2015 to support production of rice, soya beans, maize, wheat, cotton and fish.
- Paddy Aggregation Scheme (PAS) in 2017, which is targeted at rice processors/ millers for the purchase of paddy.
- Accelerated Agriculture Development Scheme (AADS) in 2017 with the aim to encourage agribusiness and create 10,000 jobs per state including the FCT.
- Agribusiness/ Small and Medium Enterprises Investment Scheme (AGSMEIS) in 2017

Based on the foregoing, it is evident that the sector has witnessed a clear demonstration of this administration's policy on economic diversification, which has attracted the right kind of support and engagement. Consequently, if the global microfinance industry seeks to have a long-term impact on global poverty, the needs of small scale farmers must be addressed.

The objectives of the Symposium are to bridge the knowledge gap, re-orientate the operators to adopt basic microfinance service delivery model and best practice to avoid the pitfalls which characterized the funding of agricultural operations through micro-banking. Accordingly, it is expected that the paper presentations would guide the regulators, operators, farmers and investors to understand the market opportunities in agricultural microfinance, and what needs to be done for the market to be effectively financed through microfinance banking.

In his concluding remarks, he reiterated that the regulators and policy makers are receptive to the opinions and suggestions that would facilitate the creation of an enabling environment for every stakeholder in order to move the sector and the economy forward. He expressed his great pleasure to be at the symposium and declared the 4th Annual Symposium 2018 of the Nigerian Microfinance Platform open.

Goodwill Messages

Mrs. Tokunbo Martins,
Director, Other Financial Institution Supervision Department (OFISD), CBN and Convener

Mr. Ekpo Bassey-Duke delivering good will message on behalf of Mrs. Tokunbo Martins, Director, OFISD.

Mrs. Tokunbo Martins was also represented by Mr. Ekpo Bassey-Duke who shared insights on the ever increasing need to invest in agriculture due to the drastic rise in global population and changing demands in emerging markets towards higher value agricultural products. As a matter of fact, there have been ample opportunities for large-scale agriculture to attract commercial loans from both private commercial banks and government banks. On the other hand, the rural farming households in small-scale agriculture are faced with financing problem, which is as a result of relatively limited formal lending to small-scale agriculture.

Clearly, the challenges faced by small-scale farmers in Nigeria are enormous but surmountable. And in reality, to catalyze agricultural development, it has to be through microfinance. Microfinance Institutions (MFIs) are well-placed to serve rural and agricultural clients due to their strong experience serving the Bottom of Pyramid (BOP). For MfBs to develop a sustainable lending methodology that would cater for small-scale agriculture, the following issues must be addressed:

- The policy, regulatory or institutional issues that would inform development of agricultural microfinance as a strategy for providing sustainable financial services to small-scale agriculture.
- Is the understanding of the risks and the particular conditions inherent in agriculture adequate to inform an intelligent discourse on microfinance as (possibly) applied to agriculture?
- Can microfinance address the lack of accessibility of agriculture-based households to credit and other financial products?

The outcome of the aforementioned issues will require concerted efforts of policymakers, microfinance institutions practitioners, and regulators. As such, financial institutions should place more emphasis on exploration and control of the value chain to increase the productivity of the sector and guarantee its return.

Mr. Ekpo Bassey-Duke highlighted that agricultural development is more effective in raising incomes among the very poor than growth in other sectors. Research evidence indicates that agricultural sector accounted for more than 30% of the global working-age population, and the International Finance Corporation (IFC) reported that about

70% of the world's poorest people (3.5 billion people) are linked to agriculture. By all means, funding agriculture would play a critical role to lift a huge percentage of the world's population out of the bottom of the pyramid.

Similarly, the agriculture sector has been perceived as much riskier than other sectors, particularly by financial institutions and this is because they lack in-house expertise on agriculture. It is the lack of understanding that leads many MFIs to inflate the risk of agricultural microfinance. As such, there is need to identify practical strategies that can help reduce the risk of any agricultural finance product. Financial institutions should therefore, endeavour to:

- Manage the covariate risks in agricultural lending
- Tailor loan terms to growing seasons and flexible repayment schedules that will help manage credit risk.
- Mitigate production risk by bundling lending with access to inputs and training.

OFISD has identified the following as key areas of intervention:

a) Policy and regulatory interventions to create an enabling environment to mobilize agricultural finance.

b) Agriculture insurance product development e.g. financial incentives, premium subsidies, and the overall role of Government to promote agriculture insurance.

c) Strengthening capacity of relevant institutions with the provision of technical assistance, reforms and build the capacity of microfinance institutions and micro, small and medium agribusinesses.

d) Developing innovative products such as value chain finance, inventory finance credit guarantee schemes for agriculture-sector loans, matching grants, crop insurance, and price hedging instruments.

e) Global engagement and community of practice.

In closing, he stressed that the strategies and solutions to overcome the barriers to agricultural microfinance goes beyond the simple provision of credit, but extends outside agriculture as well. To address the complexity and risks in agriculture, MfBs would have to:

- Innovate on product design, lending methodologies, and risk management strategies;
- Improve information base; and
- Strive to have access to market-based risk management products, e.g., price risk management instruments, insurance contracts and similar products.

As key players in agricultural microfinance, there is the need to share more knowledge with other practitioners to establish best practices that others can follow and seek to attract more players to agriculture microfinance.

Mr. Hans-Joachim Maurer,
Managing Director / CEO, AFOS Foundation Germany

Mr. Maurer delivered a short but reassuring goodwill address, while also bidding farewell to Dr. Kenneth Achu, the Project Manager of AFOS Foundation Nigeria. On behalf of AFOS Board of Trustees, Board of Directors, colleagues in Germany and Nigeria, Mr. Maurer thanked Dr. Achu for his never-ending commitment to the objectives of AFOS Foundation, which is to assist the poor and working poor in their strives to build economically sound circumstances for their families in a sustainable fashion. He also used the medium to announce Mrs. Mary Samuel-Ipaye as the successor of Dr. Achu and sought support and cooperation for her from the members of the Platform.

Mr. Hans-Joachim Maurer, MD CEO, AFOS Foundation Germany delivering his goodwill address

He further reiterated that AFOS foundation through its numerous partnerships with Nigerian MfBs and series of interventions assisted by highly qualified sector experts as well as competent AFOS staff would ensure that the participating MfBs become clearly effective, more efficient and more competitive in the market to the benefit of the customers. As an organization, AFOS hopes that the achievement of these objectives would ultimately result in lower interest rates by MfBs in Nigeria.

In his final words, he thanked everyone that contributed to the symposium including Mr. Bernhard Vester, the AFOS Nigeria Team led by Dr. Achu, Nigeria Microfinance Platform Members and the Microfinance Learning and Development Centre (MLDC) for their energetic and never-ending stamina for the organisation of the event and their enormous contributions within the AFOS-BMZ project.

On behalf of the AFOS Board of Trustees, Board of Directors and the German Federal Ministry for Economic Cooperation and Development in Berlin, he wished everyone an interesting Symposium 2018.

Honourable Monday Osaigbovo,
Commissioner of Agriculture and Natural Resources Edo State

Honourable Osaigbovo welcomed everyone to Edo State and stressed the importance of agriculture in the development and growth process of the country. He enunciated his pleasure on the theme of the Symposium and projected the readiness of the Edo State Government to support and benefit from the recommendations of the Symposium. He then wished everyone happy deliberations.

Honourable Monday Osaigbovo, Commissioner of Agriculture and Natural Resources Edo State, delivering his goodwill message

Chief D.U. Edebiri, Esogban of Benin Kingdom delivering his goodwill message

Chief D.U. Edebiri,
Esogban of Benin Kingdom

Chief Edebiri in his succinct message welcomed everyone to the famous city of Benin and conveyed greetings from the Palace of the Oba of Benin. He emphasized the importance of agriculture to the economy of Benin and appreciated the various interventions of Microfinance Banks, especially LAPO Microfinance Bank, in the agriculture sector of the State.

Alhaji Umaru Ibrahim, FCIB, mni,
Managing Director / CEO, Nigeria Deposit Insurance Corporation (NDIC)

Alhaji Ibrahim represented by Mr. Joshua Etopidiok stressed that the importance of agricultural finance to support the growth of the sector cannot be over-emphasised and the symposium has presented a great opportunity to address the concerns of this sector.

In order to achieve a functional agricultural funding platform, the under-listed are required:

- Understanding demand of smallholder households in agriculture.
- Digital Financial Services (DFS) targeted at agricultural borrowers.

Mr. Joshua Etopidiok delivering goodwill message as representative of Alhaji Umaru Ibrahim, MDCEO, NDIC.

- Financing for women in agricultural sub-sector.
- Value chain finance.
- Agricultural insurance.

Financing constraints are however, more perverse in agriculture due to the scattered nature of small farm holders and the infancy of using moveable collaterals. To address these funding challenges, there is the need to optimise DFS to meet the needs of 500 million small farm holders through the use of cloud based technology to obtain data and lending through farm cooperatives or aggregators. The use of micro insurance products would also help revolutionize the funding of agriculture.

Accordingly, the NDIC have intervened in micro-financing and funding of agriculture in Nigeria through:

1. Commercial Agricultural Credit Scheme, which has attracted N81 billion as at 31st March, 2018;
2. Good governance/overall legal framework with MSME fund of about N220 billion directed to agriculture;
3. Targeted loan to women and other disadvantage groups.

In as much as agricultural finance is critical, it is important to note that it is part of the agricultural ecosystem and cannot be addressed in isolation. Sustainable funding requires the collaboration of the Cooperation of Global Partnership for Financial Inclusion, CBN, G20 Deposit Insurance, Food Security and Financing Work streams.

He enjoined everyone to participate actively by way of asking questions, making informed comments, while leveraging information and country experiences to be shared from Nigeria, Ghana, Kenya and International Partners that would address the theme in discourse.

Keynote Paper on Policy Framework

Dr. Mudashir Olaitan,
Director, Development Finance Department (DFD), CBN

Mr. Elijah Osha representative of Dr. Mudashir Olaitan Director, Development Finance Department (DFD), CBN presenting the keynote paper on policy framework

The representative of the Director, Development Finance Department {DFD}, CBN, Mr. Elijah Osha, expressed his appreciation to be present at the Symposium. He commended the organizers for their support to the development of agriculture in Nigeria and for continuously providing a platform for exchange of views and feedback on the role of microfinance banks in deepening the Nigerian financial space.

In the thought provoking address, Dr. Olaitan reiterated the importance of agriculture to any economy; particularly the emerging ones like Nigeria. Agriculture was once the mainstay of the Nigerian economy before the discovery of oil, as it contributed over 70% to employment and 80% of the GDP of Nigeria. Subsequently, the focus on oil over the years resulted in the decline of the sector's contribution to 27.9% to employment and about 20% to GDP in 2017. The theme of the symposium "Serving the Agricultural Sector through Micro-Banking" could not have come at a more auspicious time, given the commitment of the Central Bank to unlocking the potentials of MfBs in bridging the financing gaps that have limited the contribution of the agricultural sector.

The challenges of agricultural financing in Nigeria are multiple and complex and as such financial institutions are often unable to conceptualize as well as assess the high systematic risks in the sector. This invariably makes it difficult to develop suitable and sustainable financial products for various actors in the agricultural value chain. More so, key players in the sector, especially notable smallholder farmers face severe financial constraints as they rely on meagre savings and informal financial sources for credit. Hence, improving access to agricultural finance for smallholder farmers deserves concerted efforts as these segments of farmers represent the backbone of Nigerian agriculture and food security.

In recent years, the Central Bank of Nigeria, as a critical stakeholder in the financial sphere of the country, has introduced numerous policies and programmes geared towards increasing access to low-cost finance across the agricultural value chain. The objectives of these interventions are job creation, self-sufficiency, food security, foreign exchange accretion through significant reduction in food import bill, and broader diversification of the economy. A few of these interventions include:

- Nigeria Incentive-based System for Agricultural Lending (NIRSAL), which was established to de-risk the agricultural value chain.

- National Collateral Registry (NCR) was established to facilitate the use of moveable or personal assets as collateral for bank loans.

In addition to these two interventions, the CBN also introduced a number of development finance interventions specifically aimed at expanding low cost finance to agricultural sector, including:

a) The Commercial Agriculture Credit Scheme (CACS)

b) The Anchor Borrowers Programme (ABP)

c) The Accelerated Agricultural Development Scheme (AADS)

d) Agricultural Credit Guarantee Scheme (ACGS)

e) Agri-business/ Small and Medium Enterprises Investment Scheme (AGSMEIS)

In spite of these interventions, there are still challenges to agricultural finance from the regulator's perspective, among which are:

1. Demand-related challenges as a result of:
    a. Low human capital capacity of smallholder farmers in terms of education and collateral.
    b. Agricultural activities associated risks such as unpredictable weather pattern, climatic catastrophes and climate change, pests, etc.
2. Supply-related challenges as a result of:
    a. Accentuated risks inherent in agricultural lending relative to other sector borrowers.
    b. Limited range of appropriate agricultural financial instruments focused on addressing the peculiar financial needs of the sector.

It is therefore, imperative to develop an effective policy framework to address these challenges of access to finance by smallholder farmers and other financially excluded stakeholders in the agricultural value chain. The CBN should also be ready for execution because its policies have significant implications for the transformation of the agricultural sector through the development of a financial system that encourages and ensures a sustainable flow of finance to agriculture.

In the light of the above, he recommended the following agricultural finance reforms for the CBN to explore:

1. CBN policies should be designed to attract low-cost and sustainable financing to the sector for steady economic growth and inclusive development.
2. Enhance and equip Microfinance Banks to be able to transform the agricultural sector by expanding financial access to low-income households engaged in various stages of the agricultural value chain in Nigeria.
3. Identify and address the major issues limiting smallholder farmers' access to

finance through conventional banks in any framework designed and developed to expand financial access to the agricultural sector.

4. There should be policy prescription for addressing the challenges of financial exclusion in the agricultural sector that would incentivize financial intermediaries to be readily willing to support the development of the sector.

The focal areas of any policy reform in the microfinance industry for agricultural development should include the following:

- The upward review of the minimum share capital of Microfinance Banks to enhance participation in the Bank's development finance interventions.
- Expansion of eligible activities of MfBs to accommodate some of the dynamics of CBN's interventions such as non-collateral requirements.
- Incentivize MfBs for expanding credit to the agricultural sector through prudential and /or reserve forbearances, and moratorium for repayments.
- Sectoral allocation of MfBs credit facilities, with sanctions where such allocations are not adhered to by the banks.

In conclusion, the design and implementation of a workable agricultural finance policy rests on all stakeholders in the agricultural sector (public and private), anchored with a strong and dedicated institutional advocate like the Nigeria Microfinance Platform. He therefore urged that the technical sessions should come up with workable recommendations on the microfinance framework that can be tweaked to unlock the enormous resources and great potentials of the agricultural value chain in Nigeria.

Technical Paper I: A Global Perspective

Dr. Michael Marx, Senior Advisor Agric Finance, AFOS Foundation
Perspective of Serving the Agricultural Sector through Microfinance Banks

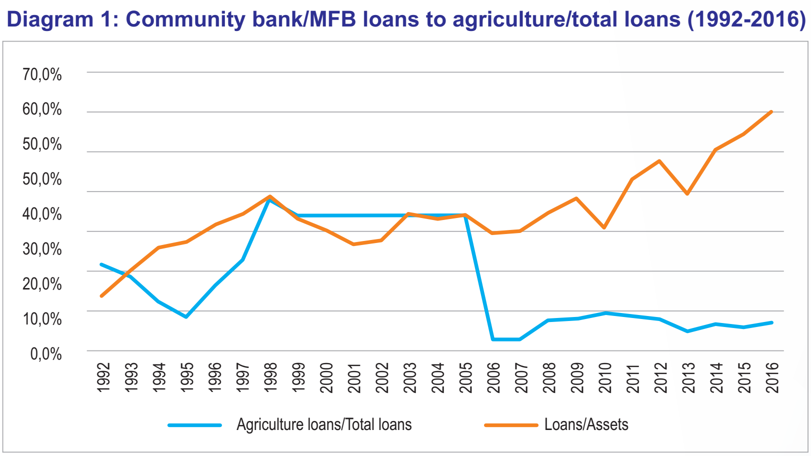
Dr. Marx stated that the objective of the paper is to discuss the potential of micro-banking to accelerate agricultural financing. His presentation was in five perspectives:

- Development potential and constraints of the agricultural sector
- Development potential and constraints of the financial sector
- Interest determinants in lending
- AFOS initiative in agricultural finance
- Policy options to support financing the agricultural sector

Dr. Michael Marx, Senior Advisor Agric Finance, AFOS Foundation presenting a technical paper from a global perspective

The first perspective highlights that working capital requirement gap for farmers in Nigeria have shown that industrialization and mechanization are necessary for the development of agriculture and to attract the youth to the sector. Research evidence indicates that fertilizer consumption per hectare of arable land at 10.9 kg and number of tractors per 100sq. km of arable land at 6.7 is very low in Nigeria compared to other African countries like Ghana, Mali, Kenya, Egypt and Cote d'Ivoire as well as the global average. Similarly, poor irrigation which is below 1% of arable land and low use of high yield varieties have all contributed to the low productivity of the sector.

Figure 1: The rate of Community banks/ MfB Loans to Agriculture as a function of their Total Loans (1992 - 2016)



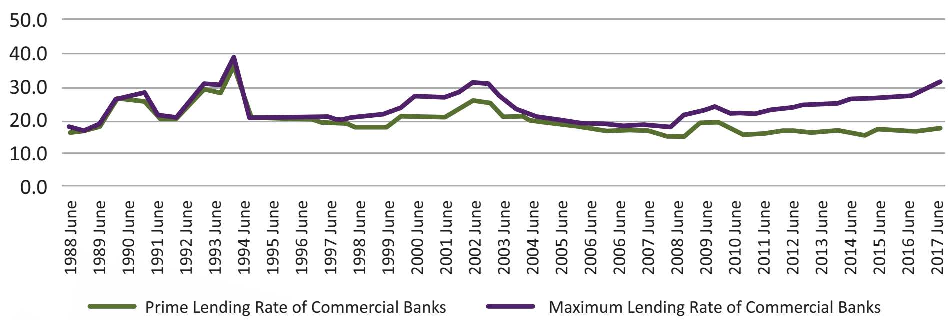
Over the years, and particularly during 1990 to 2016, it was observed that commercial banks' contribution to agriculture finance in Nigeria was between 1% and 20%. Its current contribution as at 2016 is less than 4%, which is about half of the contribution of Microfinance Banks at about 9%. Historical analysis of the MfBs' contributions to agricultural financing showed that there was a significant drop after the introduction of the Microfinance policy in 2006 from over 30% to 2%. Since then, the MfBs contribution has been under 10% as shown in figure 1.

According to the statistics from the Central Bank of Nigeria, 36% of adult population in Nigeria use credit facility, 31% do not need credit facility, while 16% do not like credit facility. In addition, 12% of the adult population thinks that credit is too expensive and as such they are not interested in requesting for credit facilities from banks.

The analysis revealed that the funding gap of credible demand to finance agriculture is still a deficit of about N500 billion despite commercial banks lending a total of N450 billion to the sector. It is therefore, important to address these salient issues:

- Under what conditions would demand and supply of agriculture finance increase?
- What role do interest rates play in demand and supply in agricultural finance?

Figure 2: Commercial Banks Prime Lending Rate Compared to Maximum Lending Rate



Dr. Marx went on to compare the lending rates for commercial Banks and microfinance Banks. He pointed out that there are no longitudinal data on MfBs lending rate, and lending rate of large MfBs oscillates between 30% - 90% per annum. Referring to a GIZ survey, the median interest rates of MfBs is 102% per annum, while CAMEL ratings benchmark the operating costs and loan losses of MfBs at greater than 10% and 2% respectively. All these suggest that MfBs' rates are significantly higher than commercial banks' rates. The prime and maximum lending rates of commercial banks during 1988 to 2017 are shown below:

In his detailed analysis of the banking sector, the following methodology was considered in the comparative analysis between Commercial banks and Microfinance banks:

- Review of the financial statements of 5 commercial banks (arbitrary selection) and 6 MfBs (6 of the 9 biggest MfBs with complete data publicly accessible)

- Financial statement data for 2013-2016
- Calculation of all items over loans outstanding at end of year
- Loan loss provisions (LLPs), and
- End of the year loans outstanding.

The following short term conclusions were derived from the analysis:

- The two items the MfBs and commercial banks can influence are operating costs and loan loss provisions.
- Cost of Funds and inflation rate depend on market trends/external factors.
- Repayment is well managed by MfBs and commercial banks.
- The biggest cost item is the operating cost, which represents 28% points of the lending rate of MfBs, while it is 11% points for commercial banks.
- The effect on the lending rate would be 7% points if loan capital is granted to commercial banks or MfBs at zero cost.
- Lending rate could decline by 14% points for MfBs and commercial banks if capital can be provided at zero cost and at the risk of a third party.
- Only interventions leading to a sustainable reduction of operating costs will have a sustainable effect on the lending rates of the financial sector.

Based on these inferences, the AFOS initiative in agricultural finance is to implement a small project for three and half years to support MfBs and agribusinesses in Nigeria. The goal of this initiative is to enhance the efficient management of local agricultural value chains, the related food production and processing industry, as well as to improve the performance and outreach of the MfB-subsector through:

1. The development of new dual vocational training systems in the agricultural sector.
2. Conduct of training as well as the provision of technical support for accelerated lending for agricultural purposes. This would be focused on knowledge, skills in agriculture and agricultural finance, adjusting products, terms and conditions, enhancing the agricultural production knowledge of farmer-clients served by partner MfBs, arrangements for value chain development and value-based organizational development.

Subsequently, medium term conclusions from the comparative analysis are as follows:

- The bigger chunk of agriculture finance will continue to come from the commercial banking sector.
- There are great potentials and interest in some MfBs that will expand agricultural lending.

- The area of competence, capacity to serve and interest will have to be considered.
- Micro-lending will continuously remain the domain of MfBs.
- Medium and large scale enterprises will remain the domain of commercial banks.
- Convergence in the case of small scale enterprises, a common area of overlap between downscaling of commercial banks and up-scaling of MFBs.

Dr. Marx ended his session with the following recommendations:

1. The CBN should increase the loan ceiling for MfBs from N500,000 to N10 million to compensate for inflation and allow for financing of farmer groups as well as value chain operations;
2. The CBN should offer refinance for short term loans (1-3 years) in Naira to MfBs to enable them lend for small equipment, without policy strings attached; and
3. The CBN should request MfBs and MFIs to express their interest rates and charges as Annual Percentage Rate (APR).

Technical Paper II: International Perspective

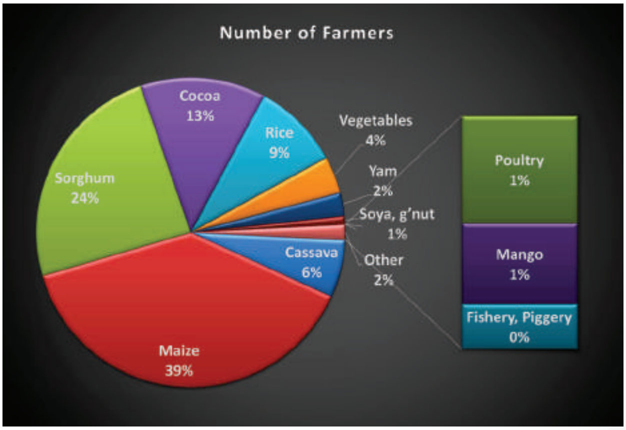
Mr. Tony Fosu, Chief Executive Officer, Sinapi Aba Savings and Loans
Brief Overview of Agric Lending from Sinapi Aba's Perspective

Mr. Tony Fosu, CEO, Sinapi Aba Savings and Loans delivering a technical paper from an International Perspective

Mr. Fosu gave a brief overview of the historical background of Sinapi Aba, a microfinance bank in Ghana that started as a Trust in 1994 before converting to Microfinance. Sinapi Aba specialises in agriculture finance and at present has about 380,000 clients. The distribution of credits of Sinapi Aba indicates that 34% of its total loan portfolio is towards agricultural projects, while 33% are towards SMEs. The composition of the bank's loans to agricultural projects shows that maize, sorghum and cocoa farmers are the major benefactors of the loans.

Also, 73.5% of the funds granted for agriculture equipment finance through the project partnership between the bank and the Danish International Development Agency (DANIDA) goes to acquisition of tractors.

Figure 2: Commercial Banks Prime Lending Rate Compared to Maximum Lending Rate



The non-existence of value chain in agricultural farming remains a big challenge for agriculture lending, which results in marketing, storage, warehousing, irrigation and insurance problems for farmers. However, through value chain focus, Sinapi Aba has been able to overcome these challenges. For instance, Sorghum value chain began in 2010 with three partnership organizations namely:

1. Guinness Ghana provided ready market for sorghum produce;
2. TechnoServe provided technical assistance and advisory services to farmers in terms of fertilizer application, chemical application, etc; and
3. Sinapi Aba served as the provider of fund to the farmers.

In the early years, the initiative faced funding challenges, but over time it gradually surmounted it and was able to achieve the following laudable results:

- Grew the number of farmers in the value chain from 200 to 5,000 in 7 years.
- Growth in average cultivation from 1.5 acres to 3.3 acres per farmer.
- Growth in local average sorghum price from US$250 to $900.
- Average national sorghum production grew from 0.8 metric tonnes / hectare to 1.75 metric tonnes / hectare.

Mr. Fosu strongly recommended partnerships and collaboration as a tool Microfinance Banks can use in overcoming the challenges of agriculture lending. This can be achieved through the initiation of value chain and linkages programmes, government programmes like fertilizer extension programmes for farmers, partnership with Development partners and organization of Walk through programmes on agriculture process with farmers.

Technical Paper III: A Practitioner's Perspective

Dr. Godwin Ehigiamusoe,
Managing Director, LAPO Microfinance Bank Limited

Experiences in Providing Agricultural Finance by Microfinance Banks in Nigeria: Challenges and Reform Perspectives

Dr. Godwin Ehigiamusoe, MD, LAPO MFB delivering a technical paper from a practitioner's perspective

Dr. Ehigiamusoe began with an overview of the agric industry and how the industry used to be the growth engine of the economy, such that most of the economic/policy initiatives were driven by agriculture. He cited the key achievements of the sector during 1960 and 1965 as including Nigeria being agriculturally self-sufficient in terms of food security, the largest producer of palm oil, groundnut, cotton, and cocoa; employed 70% of the labour force and in fact contributed 62.2% of foreign exchange and a whopping 66.4% to the Nigeria GDP. However, at the dawn of the 1970s, the sector lost its dominant position to crude oil and natural gas, and the country gradually became an importer of foods.

In the last three decades, the government has made efforts to put in place several initiatives, institutions and interventions some of which are financial, while others are non-financial. For instance, the 'Operation Feed the Nation' programme launched in 1976 and the Agriculture Credit Guarantee Scheme Fund (ACGSF) by CBN in 1978 were all targeted at different activities in the sector and to sensitise the Nigeria people to return to agriculture. These notwithstanding, production still remained low and the sector lagged behind other sectors. Just recently, the sector picked up and it's beginning to contribute positively to the nation's GDP. According to the National Bureau of Statistics, the agric sector contributed 3.0 percent in Q2 2017 to the Nigeria economy, while its only about 40% of Nigeria's arable land that is under cultivation as at 2017. Nevertheless, there is still room for improvement.

The involvement of MfBs in the agric sector in Nigeria and Africa at large can be credited to the fact that a large proportion of the underprivileged people live in the rural areas and majority of them engage in agriculture. Secondly, there has been an increasing commitment and attention to agricultural development. Third is the neglect of this group of people in terms of credit facility by conventional financial institutions, which in reality led to the evolution of microfinance banks.

In Nigeria, a large percentage of the 1,012 MfBs (as at March 2017) operate in the urban and semi-urban areas, with a focus on micro and small enterprises, rather than the rural areas where agric facility is much needed. Likewise, the participation of MfBs in the CBN's Agricultural Credit Guarantee Scheme is also quite low. Without a doubt, most MfBs are very much comfortable with lending to micro, small and medium enterprises in the urban sector. And the reason is because the conventional features of microfinancing tend not to be responsive to the requirement of financing in agriculture. For example, the monthly instalment repayments structure with short moratorium among other things.

Dr. Ehigimusoe enlightened the audience on how LAPO got involved and committed to the agric sector. The outcome of one of their researches indicated that some of their customers experienced difficulty in meeting timely repayment obligations because the credit facility obtained from the bank was used to finance their agricultural activities. On the other hand, the bank had an institutional conviction which led to it setting a target of 10 to 15 percent of its loan portfolio dedicated to the agric sector by 2020; although at present, the bank has only slightly more than 5% of its loan portfolio exclusively for agriculture.

In spite of the popular myth not to get involved in the agricultural sector because of the challenges inherent in the sector, LAPO was convinced and was ready to make the commitment to the sector. Some of the measures taken by the bank were to first of all analyse the risks inherent after which the following controls were put in place to mitigate the risks.

- Establishment of Agricultural Credit Unit;
- Recruitment and training of new credit officers specifically for the agric unit; and
- Partnership with various institutions like CBN, AFEX, MARKETS, AFOS and TechnoServe. For instance, TechnoServe facilitated the Cocoa value chain in the South-West with LAPO.

This is not to insinuate that LAPO has mitigated all the risks in agricultural lending, as there are some risks that are out of its controls. But generally, the challenges faced by most MfBs are:

1. Most microfinance operators do not possess requisite skills in agricultural lending.

   This is because the conventional loan appraisal system cannot be used for agric lending especially that extracting information from a farmer can be quite arduous. Also, value chain financing is a demanding task that involves working with other institutions.

2. Vulnerability

   Generally, agriculture and agribusinesses are vulnerable to adverse conditions such as weather and price instability which are uncontrollable. Similarly, the issue of farm-related social unrest such as herdsmen/farmer clashes in the middle belt are also uncontrollable and the lack of effective agricultural insurance services.

3. Interference and Loan Pricing

   Several schemes and initiatives which promise support and subsidized interest rates are poorly managed.

4. Rural economic activities are subject to seasonality and gestation periods

   This results in slow rotation of the invested capital; uneven cash flows pattern; and high cost of servicing the farmers, i.e. transportation to farmers' locations, cost of monitoring, etc.

5. Weak management capacity of farmer-borrowers

   Poor financial planning, low financial literacy of farmers and weak or non-existence of accounting systems

Dr. Ehigiamusoe ascribed the success of LAPO in agric lending to some of the lessons learnt over the years. Some of these include having an institutional structure dedicated to agric, especially that the lending model is quite different from retail lending. This would require recruitment of staff dedicated to agric, capacity building of staff and the development of a detailed operational procedure among others things; partnership with relevant bodies such as CBN's Agricultural Credit Guarantee Scheme, MARKETS (project of USAID) and AFEX enterprises; and insurance cover to de-risk which can be through the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) and working within a specific cluster that has huge agricultural production.

In conclusion, he recommended the following for review and adoption:

1. Institutional commitment: This is particularly to displace the thinking that agric financing is risky and not doable. The good news is also that the National Insurance Commission (NIACOM) has developed the guidelines for the establishment of micro-insurance companies who would possibly provide agricultural insurance to farmers and invariably reduce the negative impacts of crop failure and livestock illness/death.
2. Greater engagement between MfBs and the CBN, and also the enhancement of CBN Anchor Borrowers' Programme (ABP) to reduce the stringent conditions and very little margin for participating financial institutions.
3. Leverage digitalization of delivery process to enhance efficiency and reduce risk.
4. Continuous capacity building of microfinance institutions on agricultural finance.
5. Dedicated agric refinancing institutions such as Bank of Agriculture, etc.
6. Strengthen agricultural value chain through adequate availability of and linkage of farmers to well structured markets.
7. Involvement and engagement of agric cooperatives as intermediaries.

Technical Paper IV: Agric-business Perspective

Dr. Johannes Flosbach,
Corporate Strategy and Business Development, CHI Farms

Dr. Johannes Flosbach, Corporate Strategy and Business De, CHI Farms presenting a technical paper from an Agri-business perspective

Agro Industry Perspective to Agricultural Finance: Case Study on Buyback and Financing Scheme to Empower Smallholder Catfish Farmers and Strengthen the Aquaculture Value Chain

Dr. Flosbach started with an overview of CHI Farms and what the organisation has accomplished thus far in agricultural finance. Chi Farms is a name derived from 'Chicken Farms' is one of the top market leaders in chicken hatching and meat production in Nigeria. It currently owns/operates 13 farm estates all within three hours driving distance from Lagos. While Chi Farms is generally known for poultry and meat processing, it has also diversified into aquaculture farming (catfish). One of the reasons for this diversification is because of the huge demand for fishes which at present, domestic demand is over 2 million Metric Tonnes and the country has a deficit of over 1 million Metric tonnes.

To operate in this space, Chi Farms decided to go through existing fish farms rather than invest in its own earthen ponds. Following Chi Farms independent research of the South-western part of Nigeria (i.e. Lagos), it identified 6,000 earthen ponds that were not utilised due to lack of funds for feeds, among other things. Chi Farms then decided in 2016, to start a contract farmer programme with catfish farmers using the Buyback financing scheme.

He further explained that in the Buyback scheme, CHI farms provides the juveniles and feed to the farmers who then nurture the fishes until they are mature for harvest and sale. To ensure quality assurance, Chi Farms works with them, provides trainings, etc. and conducts weekly visits to the farmers. At maturity, Chi Farms harvests the fishes and sells. From the sales proceeds, Chi Farms deducts the cost of feed and juveniles and pays the profit to the farmer. Thus far, the scheme has trained 1,200 farmers and enrolled 80 farmers under the buyback scheme.

Dr. Flosbach reiterated that, just as other resource persons had said, funding remains a major constraint in the sector, and Chi Farms in partnership with Diamond Bank and more recently with the CBN have worked together to bridge some funding gap in the industry to address the issue of feeds, etc. He explained that the partnership scheme with Diamond Bank requires the farmer to open an account with the bank and to provide all the required bank documentations. Thereafter, the bank upon approval of an overdraft, gives the farmer a voucher booklet which is issued to Chi Farms upon delivery of inputs. The voucher is then presented by Chi Farms to the bank for payment. On the other hand, Chi Farms then buys back the fish products from the farmers and settles the farmers' accounts with the bank (i.e. repayment of principal and interest). For the partnership with the CBN, the bank pays upfront before Chi Farms delivers the inputs to the farmers.

Using the pilot project implemented, he stated that the profitability could range from -19% to 41% during a 6-month production cycle. It was observed from the pilot that some farmers may have smaller harvest of fish vis-à-vis the amount of juveniles provided, but these few fishes could have a large biomass which costs more and invariably accounts for more profit. Some others may be able to harvest all the juveniles as matured fishes but the sizes may differ and even be of a smaller biomass. The inferences drawn at the end of the pilot indicate that in as much as this agric business model seems profitable, commercial lending rate at double digit will erode the profit of the business. As such, the CBN Anchor Borrowing Scheme at 9% will be the primary scheme for Chi Farms and Chi Farms is ready to invest into reliable market opportutnities both for local consumption and export markets.

While the schemes have greatly impacted the farmers, he further shared some of their experiences working with their partner farmers as:

- Very loyal and committed once the farmer perceives there is a long-term outlook.
- Chi Farms rigidly filters non-performing farmers from performing farmers.
- Chi Farms ensures their technical team goes on a mandatory weekly visit to the farmers.
- Chi Farms works only with cooperatives, as working with individual farmers is almost impossible due to practical implications of regulatory requirements.

Some experiences of working with commercial banks:

- They tend to still overcomplicate the 'front end'.
- Their risk appetite for agricultural lending is almost zero.
- Their understanding of agriculture is usually limited to individual experts, but not to a larger group of 'agri-bankers'.

Some internal experiences in working with agri-finance under this programme:

- Nothing convinces more than a proven business case.
- Access to long-term funding for agriculture is just as much a problem for smallholder farmers as it is for larger agricultural entities like Chi Farms.
- After the positive experience from the last two years, the owner/chairman of Chi Farms has given the target to reach 10,000 MT of catfish to be produced by smallholder farmers.

With the success and lessons from the aforementioned schemes, Chi Farms will take its time before rolling out its out-grower scheme. In conclusion, he urged the MfBs to shift their focus to production and trading in the value chain and enjoined them to explore the possibility of the buyback funding scheme.

Technical Paper V: A De-risk Perspective

Dr. Aliyu A. Abdulhameed,
MD/CEO, The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL Plc)

Existing Models in Agricultural Finance in Nigeria - Successes and Setbacks

Dr. Aliyu Abdulhameed, MDCEO NIRSAL presenting a technical paper from a de-risk perspective.

Over the years, the agric sector has experienced different intervention schemes and programmes in Africa and Nigeria. One of the principles of the Comprehensive African Agriculture Development Program (CAADP) states that there should be at least 10% of the national budget allocated to the agric sector. Regrettably, this has not been so, as statutory allocation to agriculture has been far below 10%. According to the 2015 Consultative Group to Assist the Poor (CGAP) report, Nigeria's share of Bank lending to the Agric sector is less than 4% when compared to Mozambique at 12%. This becomes obvious from the sources of agric funding in Nigeria who are mainly commercial banks, CBN Intervention Funds, Development Finance Institutions (DFIs), a few MfBs, among others.

In terms of private sector financing, the involved institutions are commercial banks, microfinance institutions, Bank of Agriculture (BoA), Bank of Industry (BOI), Nigeria Export-Import Bank (NEXIM), and Development Bank of Nigeria (DBN). For these banks, the nature of financing is through bank loans and overdrafts respectively for fixed assets and working capital. Despite the fact that all the activities in the agric value chain are financed, there is still a preference for short-tenor transactions in the mid- and down-stream agribusiness value chain. Statistics show that as at Q1 2018, Deposit Money Banks (DMBs) lending to the agric sector is only about 3.21% (N501.67 billion) of the total credit facilities given by the DMBs. And the major constraints are the request for traditional collaterals, high interest rate, high loan loss ratio, among others.

Dr. Abdulhameed stated that one of the reasons NIRSAL is yet to fully engage with the MfBs is because the charges by MfBs are not totally clear. He then lent his voice to one of the recommendations from the previous presentation by Dr. Michael Marx that NIRSAL will be willing to work with the MfBs to arrive at the Annual Percentage Rate (APR) for lending in the sector.

He then highlighted the different intervention programmes by the CBN to the sector and elaborated on their purpose, funding, target, Participating Financial Institutions (PFIs), activities and setback. Some of these are the Agricultural Credit Guarantee Scheme

Fund (ACGS), Commercial Agricultural Credit Scheme (CACS), Real Sector Support Facility (RSSF), Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS), Anchor Borrowers' Programme (ABP), and the Non-oil Export Stimulation Facility (NESF) through NEXIM Bank. For instance, the ABP is aimed at providing a guaranteed market for agricultural produce whereby smallholder farmers are linked with processors of key agricultural commodities/anchors. More so, the fund is sourced from the Micro, Small and Medium Enterprises Development Fund (MSMEDF) of N220 billion which is targeted at smallholder farmers. The PFIs responsible are NIRSAL, DMBs, DFIs and MfBs and within two years of implementation, N55 billion has been disbursed to over 250,000 farmers. However, some of the setbacks of this scheme are the side selling by farmers, inadequate monitoring capacity, presence of political and ghost farmers that invariably results in loan delinquency.

Due to various setbacks and challenges encountered with the agricultural value chain and the financial institutions, the CBN introduced the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) as a new approach to agricultural financing. This is designed specifically to share the risk of players involved through a risk sharing mechanism (Guarantees) rather than direct credit/funds placement with banks. NIRSAL also uses incentives and penalties to shape the behaviour of the players within the financial system, while providing technical assistance among other things to mend broken value chains.

NIRSAL which is a US$500million Non-Bank Financial Institution, is designed to appropriately identify, define, measure, price and share agribusiness related credit risk. It was incorporated in 2013 as a public liability company (Plc), wholly owned by the Central Bank of Nigeria (CBN) and operates as an autonomous private sector institution with a corporate governance structure that is independent of the CBN. The CBN is the Chairman of the Board. The NIRSAL model integrates the end-to-end agricultural value chain with the financing value chain. Among its various objectives, the most important is to reduce the cost of borrowing and grow the agribusiness share of total bank lending portfolio to about 7%.

NIRSAL will not grant funds for the entire agric-business value chain at once. Its approach to agric-business financing is to disaggregate the entire value chain into its vertical and horizontal components, which is similar in behaviour to the mining industry where there are pre-upstream, upstream, mid stream and downstream activities. The essence of this is to de-risk the value chain components such that the output of one value chain is off taken by the next value chain using various financing frameworks specific to the needs of the components. This ensures an end-to-end visibility of finance, value addition and value capture. He cited the business model and financing framework used in mechanisation finance, which for example finance the mechanisation service provider (i.e. provides tractors etc) and links them to a farm area rather than give finance to farmers to buy tractors directly.

One of the upstream interventions by NIRSAL includes the Agricultural Primary Production Aggregation Service System (A-PASS). Generally, NIRSAL will only finance geo-cooperatives rather than geo-farmers. Also, NIRSAL has moved from indemnitybased insurance to revenue-based insurance.

Clearly, existing agri-business financing interventions have had limited success in stimulating sustainable engagement between agribusiness and finance. Thus, driving agribusiness finance at a pace that will engender agriculture-led economic diversification and growth would require:

- Massive investment in infrastructure- rural roads, dams and irrigation, storage and market
- Supportive legal and regulatory framework (54 Acts and 50 Bills on agriculture pending at NASS for reforms)
- Long term commitment by all stakeholders:
    - ♦ Agribusiness: Adoption of good agric practices/good manufacturing practices/fair trade
    - ♦ Financial Institutions: Paradigm shift and a pioneering spirit to conquer the agric frontier
    - ♦ Government: Stable policy environment devoid of political expediencies.

In conclusion, Dr. Abdulhameed reiterated that NIRSAL is available to engage with the MfBs to drive agric-business finance and urged the MfBs to consider having a standard APR.

Panel Discussion

The Moderator of the panel discussion was Dr. 'Biodun Adedipe FCIB, Chief Consultant, B. Adedipe Associates Limited.

The panel discussants were:

- Mr. Rogers Nwoke, Managing Director/ CEO, Hasal Microfinance Bank Limited and President, National Association of Microfinance Banks (NAMB)
- Mr. Akinwunmi Lawal, Managing Director/CEO, NPF Microfinance Bank Plc
- Mr. Taiwo Joda, Managing Director/CEO, Accion Microfinance Bank Limited, represented by Mr. Tunde Omolere, Chief Operations Officer, Accion MfB

Introduction

Reminding the audience that various presentations that were made around the theme of the symposium, "Serving the Agricultural Sector through Micro-Banking", raised issues from the perspective of the regulators, international subject matter experts, a microfinance practitioner, an operator in the agriculture sector and an institution established specifically to de-risk lending to the agriculture sector, Dr. Adedipe invited the discussants to make their opening remarks on the presentations.

Mr. Nwoke

In the light of all the presentations made, there is a general consensus that all stakeholders including the financiers, regulators and government need to pay more attention to the agriculture sector, especially because of the recent economic crisis (2016- 2017) caused by the fall in oil price amongst other factors. He highlighted three critical issues that can make a remarkable impact on MfBs in agriculture lending.

- Funds raising for the Agric sector: Hasal MfB, right at the outset of operations, granted agric facilities through its full-fledged agric department. The bank was able to grant agric credit facilities at 10% interest rate per annum because of the partnership it had with the Millennium Development Goals (MDG) Office, FCT. The MDG counterparty funds came at 0% which subsidized the cost of funds largely. Subsequently, when the project came to an end after three (3) years of implementation, and the bank could not sustain the initiative and as such had to discontinue agric lending.
- Institutionalisation of the lending process: With reference to the keynote presentation on Policy Framework, Mr. Nwoke alluded to one of the recommendations that there should be sector allocation of credit to MfBs and with sanctions. He however, strongly emphasised that the allocation with sanctions should equally apply to Commercial banks and not only the MfBs, and it should be enforced by the regulators.

- Structure rural MfBs for Agricultural lending: Mr. Nwoke stressed that the issue is not the willingness of the MfBs to lend to the agric sector; rather, it is the lack of capability (funding) due to weak capitalisation. As such, he suggested that the regulators in the bid to encourage agric lending, especially to smallholder farmers that are mostly based in the rural areas, should create a special structure for the rural MfBs. This would entail some form of intervention funds exclusive to agric, complemented with regulation to ensure enforcement by the rural MfBs.

Mr. Lawal

Mr. Lawal shared the challenges NPF MfB has faced over the years in agric lending. Currently, agric lending is only 2.5% of NPF total portfolio and this is largely because of the difficulties experienced with the farmers. Some of the challenges include capacity of farmers, high interest rate, human capacity, diversion of funds and poor markets. Notwithstanding, the bank has recorded success in lending to some farmers in the sector such as for cattle rearing in Osogbo, vegetable farmers in Badagry, fish farming in Oke-Aro, among others.

He urged the government and the Central Bank of Nigeria to further expand specific budgetary allocation to the sector and disburse special funds through the MfBs so that the MfBs can lend at single digit. In addition, MfBs should be supported in the area of agric research.

Mr. Omolere

Mr. Omolere dwelt on the issue of funding as a major challenge in agric lending. At present, agric lending is only 5% of Accion MfB's loan portfolio and this is because the bank operates mainly in the urban areas and has a few rural branches. Nonetheless, to effectively address the issue of funding, it is important to dissect the value chain, after which the MfB can decide on the component of the value chain it wishes to finance. For obvious reasons, rural MfBs that are most likely to fund the production component of agric may not have the capacity.

Hence, the CBN should intervene in agric financing for MfBs for the realisation of single digit interest rate lending to farmers. Furthermore, the CBN can design a special framework for the rural MfBs wherein different MfBs operate in the different value chain components such as input, production, distribution, etc and also intervene in capacity building on agric financing. Most importantly, MfBs should explore collaboration to further build capacity.

Dr. Adedipe (Moderator)

How will Hasal MfB expropriate the opportunities that are available primarily where there are prospects for funding?

Mr. Nwoke

As at 2012, Hasal MfB had about 27.9% of its portfolio in agric. Again this was only possible because of the collaboration with the MDG Office, which bore a significant part of the loan losses. At present, the bank barely has 2% of its portfolio in agric. Some of the setbacks faced by Hasal are not within their control and this includes heavy rainfall that can destroy access to some of the places where facilities have been granted and vitiate monitoring and collection.

Nevertheless, the opportunities are available particularly with the various intervention programmes by the policy makers. But one critical factor that needs to be addressed is the channel through which the intervention funds are passed. If indeed the MfBs are those that service the grassroots and the rural areas, which is dominated by small scale farmers that are involved with the production value chain, it is therefore paramount that such intervention funds be passed through the MfBs. Mr. Nwoke cited the Anchor Borrowers Programme (ABP) whose funds are directly disbursed by the CBN instead of it being passed through the MfBs. As such, he suggested that policy makers should create a scheme that allows such agric intervention funds pass through the rural MfBs.

Dr. Adedipe (Moderator)

What will NPF bank do differently to be a better player in the agric industry?

Mr. Lawal

The bank will address majorly capacity building of its staff dedicated to agric lending. This is more so because of the dynamic nature of the sector. And if properly equipped with the knowledge and other prerequisite information of the sector, this may assist in reducing transaction costs. The bank on its part will treat agric lending as supporting the government economic policy initiatives.

Dr. Adedipe (Moderator)

How has Accion been able to manage the issue of full disclosure of pricing at the 'front end' and what are the thoughts on the APR pricing model?

Mr. Omolere

First, there are a lot of factors that determine the pricing of a facility, including the cost of funds, operating expenses, shareholders' return, the risk level, etc. Thus, for Accion all these factors are put in perspective such that sustainability is not a threat. On the other hand, if the government is able to provide cheap funds, in tandem with other factors, then the lending rate can be reduced.

In terms of full disclosure, Accion MfB runs with a smart campaign wherein all the charges the customer will incur are stated on the offer letter to the customer. Equally, before any loan is disbursed, the customers are taken through a session called 'Client Education'.

This a process wherein the customer and his/her guarantor are given all the information upfront regarding every charge to pay on the credit facility. Disbursement is only made if the customer gives his/her consent and agrees to all the charges explained. The customers equally have the right to withdraw their requests at this point if not satisfied with the charges.

With regards to the APR pricing model, it's a good idea. However, in so far as the bank is able to justify the rate, especially as it pertains to the cost of funds in addition to other costs such as operating cost, profit margin etc, the bank does not see any challenge in implementing the APR model. It is also important to note that the prices (interest rate) charged are based on the risk level of the client and as a matter of fact there is currently no policy by the CBN that requires the bank to state its interest rate either monthly or yearly. What is required is that the customer is given all the information which Accion Bank already does with its client education.

Dr. Adedipe (Moderator) invited the panellists to make their final remarks

Mr. Lawal

For lending to farmers to be attractive to MfBs, the government should upgrade the infrastructure in the rural areas, especially access to roads in order for the farmer to easily reach the market. It is when this is done, that productivity can be boosted and the farmers can produce profitably. This invariably forces the financial institution to lend more.

Mr. Nwoke

To address the issue of interest rate, the policy makers can look at the possibility of channelling the MSMEIS fund mainly to agriculture and give out the funds at 2% to the MfBs, which would then allow the MfBs to grant agric facility at 9% per annum. But more importantly, there should be criteria for the selection of MfBs that would qualify for the fund. These include the presence of the MfB in rural communities, a dedicated agric lending expert, every proceeds realised as a function of the facility must be sold to an aggregator which in fact mitigate diversion risk, and the application of the law of cooperative advantage.

Mr. Omolere

The real issue is for the government to create an enabling environment and also intervene in the provision of tractors, high yield seedlings, fertiliser etc. Furthermore, the agric sector is an economically important sector and a lucrative business; hence, the government should stop the 'pity-party' and allow the business to run as business in order for both the farmers and financiers to work together profitably.

Interactive Session with the Panel

Comments, Questions & Answers:

Comment: Dr. Aliyu Abdulahmed (MD, NIRSAL)

NIRSAL has been created as a private sector arm of CBN to address such interventions for the agric sector. And as such, NIRSAL is available to meet and discuss with the MfBs to develop practical and actionable strategies that would address some of the issues raised in the Symposium.

Response: Mr. Omolere (Accion)

NIRSAL should structure its programmes to the level of the MfBs. At the moment, many MfBs are not aware of NIRSAL. In addition, NIRSAL should design products that will support the activities of the MfBs.

Comment: Mr. Ekpo Bassey-Duke (Deputy Director, CBN)

Going forward, organisers of the Symposium should invite the Minister responsible for the relevant industry / sector to the discourse.

Comment: Mr. Joseph Etopidiok (NDIC)

Every MfB cannot play within the agric industry because it requires a lot of funding and expertise and as such, operators must be ready to develop capacity. Secondly, for agric lending to be sustainable, the MfBs need to source alternative funding partners such as the development banks etc., because no amount of intervention funds will be sufficient to resolve the funding gap in the sector. More so, the big farms should consider partnership and collaboration with smaller farms.

Comment:

While there is a consensus that both the farmers and financiers need capacity development, it is also paramount for the CBN to consider capacity building of its staff, as it is only when this is done that the regulators can craft policies that are realistic.

Comment:

The agric sector needs to be strengthened by policy makers. As such, the tax regulators should review the tax policy for farmers as a way of encouragement, either to drastically reduce the rate paid or to give tax holidays for a minimum of about 20 years to the farmers.

Question:

The sincerity of the farmers in terms of loan repayment has been questioned, likewise the sincerity of the government in terms of channel of disbursement of the intervention funds. Have MfBs been sincere to their customers in terms of interest rate charged?

Response: Mr. Omolere (Accion)

For the industry to move forward, it has to be a collaborative approach. All stakeholders must make a joint effort to build the industry.

Question:

With reference to the presentation that spoke to warehouse financing, how are the MfBs able to finance such, especially that their limit is N500,000 and warehouse financing of cocoa for example requires so much more than N500,000?

Response by Mr. Nwoke (Hasal MfB)

For obvious reasons, MfBs cannot give warehouse facility which is primarily done by the commercial banks due to its high cost. However, what the MfBs can do is to give facility to the farmer involved with the production of the products or even the transportation of the materials (for example cocoa) to the warehouse.

Additional Response by Dr. Ehigiamusoe (LAPO MfB)

LAPO currently does warehouse financing, but this is not on the large scale for cocoa as cited in the question but rather for grains such as cash crops in the south. This does not require as much as cocoa warehousing.

Comment/Suggestion:

Is there a possibility for the MfBs to look into supplying feeds through the feeds company rather than giving the farmer the funds directly? Can MfBs structure quarterly or half yearly (6 months) repayment of agric facilities because of the nature of agribusiness as harvest is seasonal?

Question:

Why are the charges from the MfBs (with reference to LAPO MfB) quite high, such that at the end of the day the amount disbursed is unable to meet the intended purpose of borrowing?

Response by Dr. Ehigiamusoe (LAPO MfB)

Not all the charges deducted are payments to the banks, following the credit approach that LAPO engages. Some deductions are towards savings for the customer, which eventually goes to the customers' savings account with the bank.

Dr. Adedipe (Moderator) brought the session to a close and reiterated the takeaways from the session as follows:

1. Capacity building for the entire industry
2. Policy review by policy makers
3. Intervention through funding and support
4. Collaboration among all stakeholders
5. Advocacy on tax and other issues related on agric lending
6. Engagement with NIRSAL

Vote of Thanks

Dr. Godwin Ehigiamusoe on behalf of the Nigerian Microfinance Platform expressed gratitude to everyone present at the Symposium. He specifically acknowledged and appreciated the contributions of the Organizing Committee, the Microfinance Learning Development Centre (MLDC) Secretariat, Mr.Tony Fosu, Dr. Michael Marx, Mr. Berhnand Vester, Dr. Kenneth Achu, all partners (CBN, NDIC, NIRSAL and BOI), and all resource persons towards the success of the Symposium.

Chairman's Closing Remarks

Mrs. Aisha Ahmed, Deputy Governor, (Financial System Stability) Central Bank of Nigeria

The Chairman of the Symposium, Mr. Ekpo Bassey-Duke, representing the Deputy Governor, gave the closing remarks, stating that the Symposium was worthwhile and the recommendations would go a long way in addressing the challenges of agricultural financing in Nigeria. He declared the Symposium closed at 3.50 p.m.

Appendices

THE NIGERIAN MICROFINANCE PLATFORM

Supported by

FOURTH (4TH) ANNUAL SYMPOSIUM

Theme: SERVING THE AGRICULTURAL SECTOR THROUGH MICRO-BANKING

Date: Thursday, 24th May, 2018
Venue: Best Western Hotel, Benin City

Program of Events

08:30 a.m. - 09:00 a.m.	Registration of Participants Arrival of discussants, Guests of Honour, Lead Paper Presenters/, Special Guest of Honour, Keynote Speaker and the Chairman
09.00 a.m. – 09.10 a.m.	Introduction/Recognitions by the Master of Ceremony Mr. David Adelana Principal Manager, Central Bank of Nigeria (CBN)
09:10 a.m. – 10:00 a.m.	Opening Statements by the Chairperson Mrs. Aisha Ahmed Deputy Governor, (Financial System Stability) Central Bank of Nigeria Goodwill Addresses: Mrs. Tokunbo Martins Director, Other Financial Institution Supervision Department (OFISD) Mr. Hans-Joachim Maurer MD/CEO, AFOS Foundation Alhaji Umaru Ibrahim MD/CEO, Nigeria Deposit Insurance Corporation
10:00 a.m. – 10:30 a.m.	Tea/Coffee Break

10:30 a.m. – 10:50 a.m.	Keynote Paper on Policy Framework Dr. Mudashir Olaitan Director, Development Finance Department (DFD), CBN
10:50 a.m. – 11:10 a.m.	**Technical Paper from a Global Perspective** **Dr. Michael Marx** **Long term Expert (AFOS Foundation-Germany)**
11:10 a.m. – 11:20 a.m.	Technical Paper from International Special Guest Mr. Tony Fosu Chief Executive Officer, Sinapi Aba Savings and Loans
11:20 a.m. – 11:40 a.m.	**Technical Paper from a Practitioner's Perspective** **Dr. Godwin Ehigiamusoe** **Managing Director, LAPO Microfinance Bank Ltd**
11:40 a.m. – 12:00 noon	Technical Paper from Agric-business Perspective Dr. Johannes Flosbach Corporate Strategy and Business Development, CHI Farms
12:00 noon- 12:20 p.m.	Technical Paper from Regulator's Perspective Dr. Aliyu Abdulhameed Managing Director/CEO, NIRSAL
12:20 noon – 12:30 p.m.	Recess
12:30 p.m. – 01:40 p.m.	**Panel Discussion** **Moderator: Dr. 'Biodun Adedipe: Chief Consultant, B. Adedipe Associates Discussants:** • Mr. Rogers Nwoke, Managing Director, Hasal Microfinance Bank Ltd. • Mr. Akin Lawal, Managing Director, NPF Microfinance Bank Plc • Mr. Taiwo Joda, Managing Director, Accion Microfinance Bank Ltd
1:40 p.m. – 02:00 p.m.	**Question and Answer Session**
02.00 p.m. – 02.10 p.m.	**Presentation of Summary of Key Symposium Outcomes and "Takeaway Tasks"/ Communiqué** **Mrs. Tutu Ogunnaike** **Former Deputy Director, OFISD-CBN**
02:10 p.m. – 02:20 p.m.	**Vote of Thanks** **Dr. Godwin Ehigiamusoe** **Managing Director, LAPO Microfinance Bank Ltd**

02.20 p.m. – 02.30 p.m.	**Closing Remarks by Chairperson** **Mrs. Aisha Ahmed** **Deputy Governor, (Financial System Stability) Central Bank of Nigeria**
02:40 p.m.	**Lunch**

Appendix B

List of Officials

S/No.	Names	Position
1.	Mrs. Aisha Ahmed	Deputy Governor, (Financial System Stability) CBN
2.	Mrs. Tokunbo Martins	Director, Other Financial Institutions Supervision Department (OFISD) CBN
3.	Mr. Bassey Duke	Deputy Director, Other Financial Institutions Supervision Department (OFISD) CBN
4.	Alhaji Umaru Ibrahim	MD/CEO, Nigeria Deposit Insurance Corporation (NDIC)
5.	Mr. Joshua Etopidiok	Director, Special Insured Institutions Department, Nigeria Deposit Insurance Corporation (NDIC).
6.	Mr. Hans-Joachim Maurer	MD/CEO, AFOS Foundation
7.	Dr. Mudashir Olaitan	Director, Development Finance Department, CBN
8.	Mr. Elijah Osha	Assistant Director, Development Finance Department, CBN
9.	Dr. Michael Marx	Long-term Expert, AFOS Foundation
10.	Dr. Biodun Adedipe	Chief Consultant, B. Adedipe Associates Ltd
11.	Mr. Tony Fosu	Chief Executive Officer, Sinapi Aba Savings and Loans
12.	Dr. Johannes Flosbach	Corporate Strategy and Business Development, CHI Farms
13.	Dr. Godwin Ehigiamusoe	Managing Director, LAPO Microfinance Bank Ltd
14.	Mr. Rogers Nwoke	Managing Director, Hasal Microfinance Bank
15.	Dr. Aliyu A. Abdulhameed	Managing Director/CEO, NIRSAL
16.	Mr. Akin Lawal	Managing Director, NPF Microfinance Bank Plc
17.	Mr. Taiwo Joda	Managing Director, Accion Microfinance Bank Ltd
18.	Mr. Tunde Omolere	Chief Operating Officer, Accion Microfinance Bank, Ltd
19.	Chief D.U. Edebiri	Esogban of Benin Kingdom
20.	Hon. Monday Osaigbovo	Commissioner of Agriculture & Natural Resources, Edo State
21.	Mrs. Tutu Ogunnaike	Former Deputy Director, OFISD-CBN
22.	Dr. Kenneth Achu	Country Representative, AFOS Foundation Nigeria
23.	Mr. Bernhard Vester	AFOS Foundation Africa

List of Participants

S/N	NAME	ORGANISATION
1	Margaret Shoyemi	Accion Mfb
2	Tunde Omolere	Accion MfB
3	Agbetoba Lookman	Addosser MfB
4	Aiyedun S. Anthony	Afekhafe MfB
5	Agbabiaka A. Austin	Afekhafe MfB
6	Alausa Kunle	AFOS
7	Funmilayo Akinwale	AFOS
8	Ladipo Akoni	AFOS
9	Olamiriki Peter	AFOS
10	Momoh Abdul-Rahman	Auchi MfB Ltd
11	Aminul H.B	ASHA MfB
12	Adedayo Aramide John	Avuenegbe MfB
13	Emmanuel Ojomoro	Bank of Industry
14	Oghomi Andrew	Bank of Industry
15	Osagiede Anita	Banking
16	Ogubewu S.U.	BB MfB
17	Amonju John	BOI
18	Azuka E. Okofu	BOI MfB
19	Peter Oino	Boji Boji MfB
20	Igbinosun Faith	Business
21	David Adelana	CBN
22	Kazeem Olatinwo	CBN
23	Owolabi Olufemi	CBN
24	Sylvanus Uche Okonkwo	Cub Microfinance Bank Ltd
25	Clementina King	Edo mbank
26	Ekuase Philip	Efe Union
27	Akenbo Gloria	Farmer
28	Asemeta R.E.	Farmer
29	Gabriel Esohi	Farmer
30	Godwin Igiewe	Farmer
31	Osawa Ogbeide	Farmer
32	Uwenbor T.Jose	Farmer
33	Judith Okundayo	FAST Mfb

34	Abu Odiameh D	Fish Farmer LAPO
35	Ogunbamowo Sunday	Fish Farmer- Sunny Fish Farm
36	Chistiana Frank-Amromaya	FITC
37	Oluwalayomi Oshagbami	FITC
38	Swile Avess Abutu	GIZ
39	Irogbo Prosper	IC-Global MfB Ltd
40	Aaron Nnamdi	Ini MfB Akwa Ibom
41	Guilliaume Valence	La Fayette MfB
42	Idoko O.A.	LAPO Institute
43	Kenneth Okakwu Orunobi	LAPO Institute
44	Kieran-Ibekwe Stella	LAPO Institute
45	Emwasata E	LAPO MfB
46	Grace Atewe	LAPO MfB
47	Kingsley Immaghodor	LAPO MfB
48	Uyi Omorodion -Osagie	LAPO MfB
49	Victor Esemure	LAPO MfB
50	Adetokun Adedayo	LAPO MfB
51	Agboughikpapa Vincent	LAPO MfB
52	Alfred Usinororenoun	LAPO MfB
53	Chiaka Ikechukwu	LAPO MfB
54	Courage Onayhi	LAPO MfB
55	Ekuase NicKolas Eraruyi	LAPO MfB
56	John Ugiagwe	LAPO MfB
57	Johnson Igbinosa	LAPO MfB
58	Joy Igbinosa	LAPO MfB
59	Kate Okoju	LAPO MfB
60	Ogbeifun Sunday	LAPO MfB
61	Okagbare Omoyoma	LAPO MfB
62	Okonofun Imenhen	LAPO MfB
63	Omoruyi A. James	LAPO MfB
64	Omoviese Friday	LAPO MfB
65	Omozudi Joy	LAPO MfB
66	Orode Ruth	LAPO MfB
67	Osariemen Edoseghe	LAPO MfB
68	Oseyi Ehigiata	LAPO MfB
69	Paul Eugbume	LAPO MfB

70	Philomena Edio	LAPO MfB
71	Philomena Elijah	LAPO MfB
72	Popoola Ivie	LAPO MfB
73	Sam. C. Nmoemeran	LAPO MfB
74	Samuel Ehoseichi	LAPO MfB
75	Tessa Anota	LAPO MfB
76	Omotoye Friday	LARDI
77	Iyamu O. Daniel	LIMED
78	Osunde Saturday	LIMED
79	Anogie M.I.	MANR
80	Ogieriaikhi P.E	MANR
81	Amos Ekuase	Mathew Will Palm Plantation
82	Emmanuel Igie	MPF
83	Dan Ogun	NAMB
84	Eddy Orok	NAMB
85	Ghikor N. Calbe	NAMB
86	Shikire Caleb	NAMB
87	Victor Oghaimu	NAMB
88	Aisha Doma	NDIC
89	Anthony Akpojotor	NDIC
90	Azuka Osemeke	NDIC
91	John Ikediashi	NDIC
92	Nwobodo Okey	NDIC
93	Ohio Lucky Emmanuel	NDIC
94	Omademo. P.	NDIC
95	Abaji T.I	NDIC
96	Aletor Blakes	NIRSAL
97	Ayobami Ogidan	NIRSAL
98	Eshiobo Genesis	NIRSAL
99	Eze Nwailare	NIRSAL
100	Fabunmi Samson	NIRSAL
101	Muhid Awalkah	NIRSAL
102	Nmorka Andrew	NIRSAL
103	Oluwatosin Ariyo	NIRSAL
104	Sheriff Sagawu	NIRSAL

105	Paul Adum	Nosa Adum Close Benin City
106	Kate Ukah	NPF MfB
107	Osaio Odoh	NPF MfB
108	Abah Godwin	NPF MfB
109	Abimbola Ayodele	NPF MfB
110	Eleazar Danfulai	NPF MfB
111	Chief D. U Edebiri	Oba Palace
112	Andy Etim	Obsama
113	Abdeyuma Tessy	Observer
114	Mbaegbu Ogechi	Observer
115	Tunde Eigbiremow	Observer
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122	Onyeka Adibeli	ORADIAN
123	Alari King	ORADIAN
124	Odebo Ebenezer Abayomi	Orange Insurance Brokers Ltd
125	Osahon Evbuomwan	Orange Insurance Brokers Ltd
126	Egboye Mario	Orange Insurance Brokers Ltd
127	Egharaba Inoghome Precious	Orange Insurance Brokers Ltd
128	Obenieata Joseph	Osomhe MfB
129	Olumekhor Rose	Osomhe MfB
130	Imoisimeh Tosin	Otuo MfB
131	Larry Ezeh	PPL
132	Ezomoh Obehi	Premium Pension
133	Ibraheem Teslim	Rima Growth Pathway MfB Ltd
134	Nwivordee Augustine	Rima Growth Pathway MfB PHC
135	Peter Oyanino	Royal Mfb Ltd
136	Edo Elvis	Sahara Reporter
137	Salami Ihesuyi	Salami Jassa
138	Chioma Mordi	SCGN
139	Modiael Esbegule	The Guardian Newspaper

140	Khadijat Egiebor	Tree Crop Unit Ministry Of Agric
141	Victor Ohuvbh	Trust Fund MfB
142	Eboigbe O. Kenneth	Ultimate Fish Farm
143	Alex Izeusiglie	Umegbe
144	Clement Ekhogume	Umegbe
145	Priscilla Williams	Uniben
146	Anenih Innocent	Uromi MfB
147	Omijeh Chris .O	Uromi Mfb
148	Sunday Itenbale	Uromi Mfb
149	Nicholas Osadolor	Uteh Cluster Farm
150	Iyamu Esosa	Uteh Farm
151	Kingsley Ifeanyi	Uteh Farm
152	Ogbah Benedict	Uteh MfB
153	David Okeoghe	Warri
154	Ezeh Aghogho	Wetland Mfb
155	Ajhrimer Johnbull	
156	Egun Christopher	
157	Friday Okomi	
158	Genevieve	
159	Jolly Edokpolor	
160	Malachy Edet	
161	Odion Sosnu	
162	Osaro Peter	
163	Unmigbe O. Betty	
164	Wada Isah-Baba	

Appendix D

List of Sponsors	
S/No.	**Organisation**
1.	ACCION Microfinance Bank Limited
2.	LAPO Microfinance Bank Limited
3.	NPF Microfinance Bank Plc
4.	Advans La Fayette Microfinance Bank Limited
5.	AFOS Foundation
6.	B. Adedipe Associates Limited

Appendix E

Editorial / Rapporteur Team			
S/No.	**Name**	**Organisation**	**Role**
1.	Dr. 'Biodun Adedipe	BAA Consult	Editor-in-Chief
2.	Olaide John	BAA Consult	Rapporteur
3.	Lanre Onabowale	BAA Consult	Rapporteur

Appendix F

Communiqué Team		
S/No.	**Name**	**Organisation**
1.	Mrs. Adetutu Ogunnaike	Consultant
2.	Oyerinmade Oladejo	MLDC
3.	Adetunji Afolabi	MLDC

Appendix F

Secretariat Staff		
S/No.	**Name**	**Organisation**
1.	Lola Oke	AFOS Foundation
2.	Ivie Popoola	LAPO MfB
3.	Anita Orode	LAPO MfB
4.	Okonofua Imemhen	LAPO MfB

Appendix H

Media Team		
S/No.	Name	Organisation
1.	Edo Elvis	Sahara Reporter
2.	Adesuwa Lato	STV/Radio
3.	Evans Ogboe	STV/Radio
4.	Modiael Esbegule	The Guardian Newspaper

Appendix I

Organising Committee Members		
S/No.	Name	Organisation
1.	Fatima Olajumoke	NPF MfB
2.	Margaret Shoyemi	Accion MfB
3.	Michael Olatunde	Advans La Fayette
4.	Kunle Shittu	LAPO MfB
5.	Dayo Adetokun	LAPO MfB
6.	Mary Samuel-Ipaye	AFOS Foundation
7.	Taiwo Oni	AFOS Foundation
8.	Ladipo Akoni	AFOS Foundation
9.	Adetunji Afolabi	Microfinance Learning and Development Centre (MLDC)
10.	Oyerinmade Oladejo	Microfinance Learning and Development Centre (MLDC)

List of Acronyms

S/No.	Acronym	Definition
1.	ACGSF	Agriculture Credit Guarantee Scheme Fund
2.	CACS	Commercial Agriculture Credit Scheme
3.	CBN	Central Bank of Nigeria
4.	DMB	Deposit Money Bank
5.	DFS	Digital Financial Services
5.	NIRSAL	Nigeria Incentive-based Risk Sharing System for Agricultural Lending
6.	ABP	Anchor Borrowers' Programme
7.	MfB	Microfinance Bank
8.	NAMB	National Association of Microfinance Banks
9.	PAS	Paddy Aggregation Scheme
10.	NDIC	Nigeria Deposit Insurance Corporation
11.	AADS	Accelerated Agriculture Development Scheme
12.	NMP	Nigerian Microfinance Platform
13.	AGSMEIS	Agribusiness/ Small and Medium Enterprises Investment Scheme
14.	OFISD	Other Financial Institutions Supervision Department
15.	BOP	Bottom of Pyramid
16.	MLDC	Microfinance Learning and Development Centre
17.	DFD	Development Finance Department
18.	NCR	National Collateral Registry
19.	LLP	Loan Loss Provisions
20.	APR	Annual Percentage Rate
21.	DANIDA	Danish International Development Agency
22.	CGAP	Consultative Group to Assist the Poor

Keynote Paper Presentation

Central Bank of Nigeria

POLICY FRAMEWORK ON AGRICULTURE FINANCING – CHALLENGES AND REFORMS PERSPECTIVE

A paper presented by

Dr M.A. Olaitan
Director, Development Finance Department

at the
Fourth Annual Symposium of the
Nigerian Microfinance Platform holding

at Best Western Hotel, Benin City

on 24th May 2018

POLICY FRAMEWORK ON AGRICULTURE FINANCING – CHALLENGES AND REFORMS PERSPECTIVE

PROTOCOLS

Introduction

1.0 Good morning ladies and gentlemen, I am delighted to be present, here in your midst, on this occasion of the fourth annual symposium of the Nigerian Microfinance Platform themed "Serving the Agricultural Sector through Micro-Banking". Permit me to commend the organisers for their support to the development of agriculture in Nigeria, a critical sector that has huge untapped potentials for food security and inclusive growth. Of note as well, year after year, this symposium has continued to provide a platform for exchange of views and feedback on the role of microfinance banks in deepening the Nigerian financial and economic ecosystem.

2.0 The importance of agriculture to any economy, particularly emerging ones, needs not be over-emphasized. Before the discovery of oil in Nigeria, agriculture was the mainstay of the economy, contributing over 70% to its employment statistics and 80% of its GDP (CBN, 2010). The focus on oil by successive Nigerian governments relegated this very important sector to the background which has resulted to a contribution of 27.9% to employment base as of 2017 (ILO) and about 20% to its GDP, a huge decline from the pre-oil era. Another disturbing fact is the dismal share of total bank credit to the sector as percentage of the total credit to the private sector, which is about 3%, owing to the fact that agriculture is perceived risky.

3.0 The topic of this paper, "Policy Framework on Agriculture Financing – Challenges and Reforms Perspective" could not have come at a more auspicious time than now given the Central Bank's commitment to unlocking the potentials of microfinance banks in bridging the financing gaps that has limited the contribution of the agricultural sector as the lever for combating food insecurity, as well as an engine for broader economic growth, prosperity and stability. With Nigeria's unprecedented population growth, agriculture no doubt remains the core of the country's economic development and meeting the 17 new Sustainable Development Goals (SDGs). A situation which has moved agricultural financing to top of the governments' agenda, as the country still depends considerably on food imports to feed its population.

4.0 This symposium, therefore, is in line with the Federal Government agenda of fixing the agriculture sector to improve its contribution to GDP, employment and foreign exchange earnings.

Agricultural Finance – A Policy Intervention

5.0 The challenges of agricultural financing in Nigeria are multiple and complex, beginning with the challenges of apathy among conventional financial institutions in extending necessary financial services to stakeholders in the sector, notably smallholder farmers, due to the sector's perceived high systemic risks. As a result, financial institutions are often unable to conceptualise and assess these risks, hence have challenges in developing suitable and sustainable financial products for various actors in the agricultural value chain. Consequently, key players in the sector, notably smallholder farmers, face severe financial constraints as they have to rely on their meager savings and informal financial sources for credit.

6.0 Improving access to agricultural finance for smallholder farmers deserves specific highlighting; particularly as this segment of farmers represent the backbone of Nigerian agriculture and food security. Their strategic importance is derived not alone from their number, but also their role in agricultural development and concentration in rural areas (MFWA, 2012). Due to smallholder farmers' peculiar characteristics – low human capital level, inability to provide collateral and high transaction costs, they are often financially constrained, which limit their ability to grow.

7.0 The Central Bank of Nigeria (CBN), as a critical stakeholder in the financial sphere of the economy and in recognition of the strategic importance of smallholder farmers to agricultural development, has in recent years introduced numerous policies and programmes geared towards increasing access to low-cost finance to this segment of players across the agricultural value chain. The broad objectives of these interventions are job creation, self-sufficiency, food security, foreign exchange accretion through significant reduction in food import bill, and broader diversification of the economy.

8.0 The interventions include the Nigeria Incentive-based System for Agricultural Lending (NIRSAL) – was established to de-risk the agricultural value chains and encourage financial institutions to lend to various stakeholders in the agricultural sector, by offering credit enhancement products such as credit insurance and technical assistance to boost credit supply to the agricultural value chain.

9.0 Another critical intervention is the National Collateral Registry (NCR) – facilitates the use of movable or personal assets as collateral for bank loans. While these assets remain in possession or control of the borrower, the interest of the lender is logged in the Registry. The initiative reduces emphasis on traditional collaterals of lands and buildings, thereby enabling small scale borrowers to use assets in their possession (stocks and other movable assets) to secure and obtain credits from lenders.

10.0 In addition to the above institutional interventions, the CBN has a number of other development finance schemes/programmes specifically aimed at expanding low cost finance to agricultural sector:

a. The Commercial Agriculture Credit Scheme (CACS) – was established in 2009 to provide single digit, long terms funding to corporate bodies involved in the agriculture value chain that includes input supply, primary production, processing, storage and marketing. From inception to April 2018, the Scheme has financed 531 commercial agricultural projects across the country.

b. The Anchor Borrowers Programme (ABP) – is a policy initiative aimed at reduction of agricultural imports, diversification of the economy and creation of jobs, especially at the rural areas. It provides small holder farmers with credit facilities at single digit interest rate and at the same time link them up with agricultural processing companies (termed "the anchors") who would agree to purchase their produce at minimum agreed prices to mitigate their market risks. Although originally launched for rice farmers, it was being extended to other agricultural commodities. As at April 2018, the Programme has supported 365,000 smallholder farmers in 36 States and the Federal Capital Territory, cultivating 10 commodities (rice, soya beans, cotton, cassava, fish, groundnut, maize, poultry, wheat, cattle) on over 404,000 hectares of farmland.

c. The Accelerated Agricultural Development Scheme (AADS) – was launched in October 2017 as an off-shoot of the ABP with the major objective of encouraging the youths to be engaged in agricultural activities. The scheme will be jointly implemented by the State Governments and the target is to cover at least 10,000 individuals in each state.

d. Agricultural Credit Guarantee Scheme (ACGS) – was established in 1978 to provide 75 per cent guarantee cover in respect of loans granted to the agricultural sector by commercial banks.

e. Agri-business/ Small and Medium Enterprises Investment Scheme (AGSMEIS) – This leverages the profits of private banks for the financing of MSMEs in form of equity, debt and quasi-debt. Maximum equity stake is 40 per cent of the value of the enterprise while loan facilities are given at single digit interest rates. It guarantees long-term financing of up to 10 years for equity and 7 years for debt. It was established by the Banker's Committee in 2017 and disbursement commenced in April 2018.

f. Other interventions include the Real Sector Support Facility (RSSF), Non-Oil Export Stimulation Facility (NESF), and the Micro, Small and Medium Enterprise Development Fund (MSMEDF), which can also be accessed for agricultural and agribusinesses financing purposes.

Challenges to Agricultural Finance – A Regulator's Perspective

11.0 Regrettably, the range of diversified financial intervention introduced by the Bank is yet to adequately expand sufficient financial access to the agricultural sector in Nigeria, as agricultural credit still remains miserably low relative to credit to the private sector, in terms of both sustainable access and value. For instance, as of Q1 2018, the agricultural sector got an abysmal 3.21% of the N15.60 trillion total credit to private sector, despite the sector contributing 21.65% of the country's overall GDP in real terms as of same quarter (NBS, 2018).

12.0 The reasons why agricultural finance is yet to meet the needs and expectations of stakeholders in the agricultural sector, in terms of both sustainable access and suitability of financial services, from the regulator's perspective are numerous.

These challenges can be disaggregated into demand- and supply-related, though while these challenges are characterized by distinct features, some overlaps do exist. A brief summary of these challenges is highlighted below:

12.1 Demand-related challenges:

- Majority of stakeholders in the agricultural sector, which are smallholder farmers, tend to have low human capital capacity, in terms of education, social network, and collateral. These challenges have often created barriers in the accessibility of financial services by smallholder farmers in Nigeria.
- Risks specific to agricultural activities, such as unpredictable weather pattern, climatic catastrophes and climate change, pests, diseases, seasonality and market risks, commodity price volatility, information asymmetries, agronomy practices, and access to market challenges.

12.2 Supply-related challenges: these are challenges related to the supply side of the provision of financial services to the sector, particularly as it relates to financial intermediation by financial institutions. These include:

- Accentuated risks inherent in agricultural lending relative to the sector borrowers, especially smallholder farmers (whose activities are majorly informal, limited human capital capacity, lack quality collateral, predominant rural-based), poor legal frameworks and systems, information asymmetries and high transaction costs due to weak financial infrastructural base in rural areas.
- Limited range of appropriate agricultural financial instruments focused on addressing the peculiar financial needs of the sector. This is largely due to financial institutions lacking reliable data and specialized knowledge about agricultural value chain and its potentials, which has limited the ability of the financial institutions to properly identify and assess the risks and potential of agricultural financial services necessary to suitably service the financial needs of the sector.

13.0 In view of this, developing a well-designed and effective policy framework to address these challenges of access to finance by smallholder farmers and other financial excluded stakeholders in the agricultural value chain is no doubt a major building block to creating a conducive environment for financial institutions in Nigeria to develop and offer financial products for the various agricultural sector stakeholders, particularly microfinance banks because of their proximity to smallholder farmers. The Central Bank of Nigeria is therefore at a momentous period in history as its policies have considerable implication for the transformation of the agricultural sector through the development of a financial system that encourages and ensures a sustainable flow of finance to agriculture.

Reforms in Agricultural Finance – A Microfinance Approach

14.0 It is therefore important that Central Bank's policies are well-designed and effectively designed to attract low-cost and sustainable financing to the agricultural sector for steady economic growth and inclusive development. Attracting the much-needed finance to the sector, however, needs to rely on a wide set of policies that go beyond CBN's interventions, but through consensual support from conventional financial institutions to support the transformation of the agricultural sector to increase the share of credit to agriculture relative to other economic sectors.

15.0 Ladies and gentlemen, clearly, there is no single policy prescription for addressing the challenges of financial exclusion in the agricultural sector, as policy makers often take differing stances on the significance of financial intermediation in financial inclusion and development in the sector. Reflecting on these differences in perspectives, it is important that the policy framework is robust not only improve access of players in agricultural sector to low-cost and sustainable finance, but likewise incentivize the financial intermediaries to be readily willing to support the development of the sector. Given the size and significance of the sector, a comprehensive and informed policy approach is called for.

16.0 In the last couple of decades, microfinance has been considered an effective tool for transforming the agricultural sector by expanding financial access to low-income households engaged in various stages of the agricultural value chain and has been gaining wider attention among policy makers and tiers of government in Nigeria. At the core of the microfinance and agricultural development discourse are microfinance banks, which are licensed by Central Bank of Nigeria to play a key role in enhancing the flow of financial services to smallholder players in key sector of the economy, who hitherto would have excluded from the mainstream financial system. The Microfinance Policy, introduced in 2005 by the Central Bank of Nigeria as a policy decision, was aimed at addressing shortcomings in earlier institutional initiatives targeted at expanding financial services to low-income households, including smallholder farmers.

17.0 Microfinance presents a wide range of exciting opportunities for market and sector development in Nigeria and its primary attraction to smallholder farmers is its gap-filling role. The enthusiasm of expanding finance to smallholder farmers through microfinance, however, needs to be tempered by several considerations, as major issues limiting their initial access to finance through conventional banks must be identified and sufficiently addressed in any framework designed and developed to expand financial access to the agricultural sector.

18.0 The focal areas of any policy reform in the microfinance industry for agricultural development may need to include the following:

- Reviewing upward the minimum share capital of microfinance banks to enhance their participation in the Central Bank's development finance interventions;
- Expanding the eligible activities of microfinance banks to accommodate some of the dynamics of the CBN's interventions, such as non-collateral requirements;
- Incentivizing microfinance banks for expanding credit to the agriculture

sector through prudential and or reserve forbearances, moratorium for repayments to provide liquidity incentives for the banks; and

- Sectoral allocation of microfinance banks' credit facilities with incentives as well where such allocations are adhered to by the banks.

19.0 Beyond discussions on the framework for agricultural financing through microfinance banks, it is most important that all reforms in the microfinance banks industry translate into a set of specific goals – promote financial inclusion across the agricultural value chain, promote economic opportunities available to smallholder farmers, and guarantee the quality of the banks' assets. In brief, the framework needs to be sensitive to peculiar nature of the agricultural sector and its predominance by smallholder farmers and be more balanced in terms of both pricing and accessibility.

Conclusion

20.0 Distinguished ladies and gentlemen, the onus for the design and implementation of a workable agricultural finance policy rests on all stakeholders in the agricultural sector – public and private, anchored with a strong and dedicated institutional advocate like the National Microfinance Platform. No doubt, a well-designed and industry-led agricultural finance policy framework is imperative for deepening the financial system, that financial institutions may develop and offer financial products and services appropriate to the agricultural sector.

21.0 To this end, distinguished ladies and gentlemen, I believe the foregoing this paper has provided us with the necessary insight and direction for deliberations at today's symposium. Given the calibre of participants present today, I foresee greater cooperation and partnership among the stakeholders in agricultural financing, here present, and urge the sessions to come up with workable recommendations on the microfinance framework can be tweaked to unlock the enormous resources and great potentials of the agricultural value chain in Nigeria. I strongly believe that we all share in the common goal of financing agriculture for sustainable economic growth and inclusive development.

22.0 Therefore, as you brainstorm today, I charge you to come up with innovative ideas that would address observed lapses in the agricultural financing, stimulate the next phase of its implementation, and delineate clear and concise roles for the microfinance banks in agriculture.

23.0 I thank you all.

Dr M.A. Olaitan
Director, Development Finance Department
Central Bank of Nigeria.

May 2018.

Slides of Technical Papers

Technical Paper I: A Global Perspective

Dr. Michael Marx, Senior Advisor Agric Finance, AFOS Foundation
Perspective of Serving the Agricultural Sector through Microfinance Banks

Symposium "Serving the agricultural sector through micro-banking"
Benin City, May 24, 2018

Perspectives of serving the agricultural sector through microfinance banks

By Dr. Michael Marx, Sen. Advisor Agric Finance, AFOS Foundation

Table of Contents

2

Introduction

- **Objectives of the paper:** A discussion of the potential of microbanking to accelerate the financing of the agricultural sector

3

What are the development potential and constraints of the agricultural sector?

Fertilizer consumption per ha of arable land:

•Nigeria=10.9 kg

•Ghana=15.7 kg

•Mali=29.1 kg

•Côte d'Ivoire=40.2 kg

•Middle Belt recommendation on maize: 300kg/ha

4

What are the development potential and constraints of the agricultural sector?

Number of tractors per 100 sq. km of arable land:

- •Nigeria=6.7
- •Ghana=4.5
- •Kenya= 25.2
- •Egypt=391

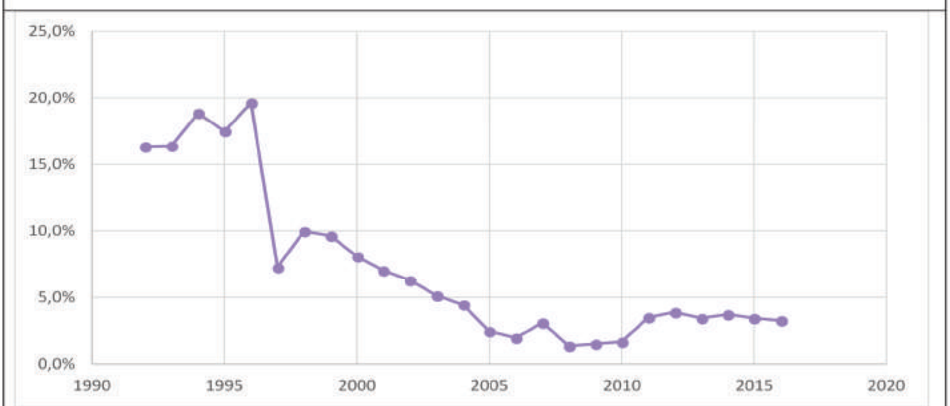
•Low use of high yield varieties (except cassava) + the use of agrochemicals

•Irrigation: below 1% of arable land

5

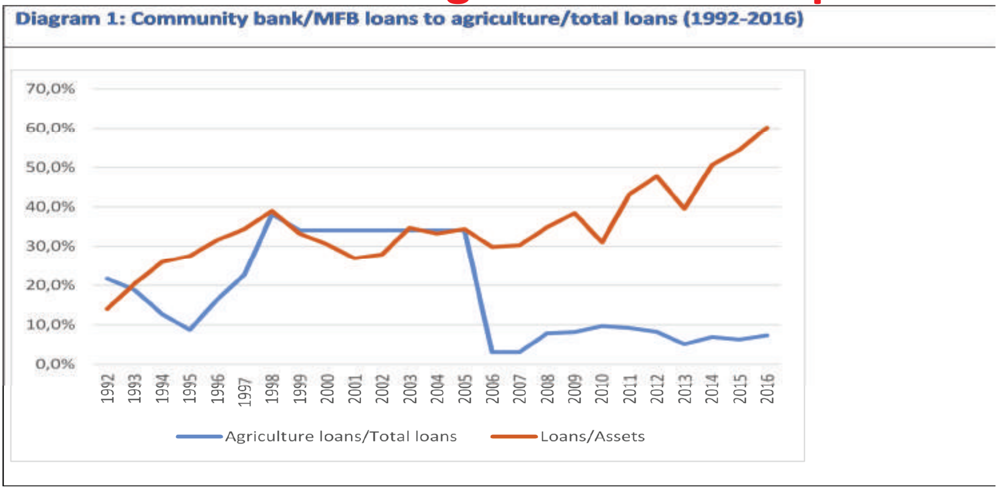
Who has financed agriculture in the past?

Diagram 1: Commercial bank loans to agriculture/total loans (1992-2016)



6

Who has financed agriculture in the past?



7

Who uses credit?

CBN: 36% of the adult population (incl. formal and informal, in cash and in kind)

Of all persons not using credit:

•31% do not need credit

•16% do not like credit

•12% think credit is too expensive

•No significant difference by gender, but by urban/rural location

8

What is the shortfall of agric credit?

- Total lending by Deposit-Money-Banks to the agricultural sector of about NGN 450 billion
- Credible demand not satisfied ≈ NGN 500 billion

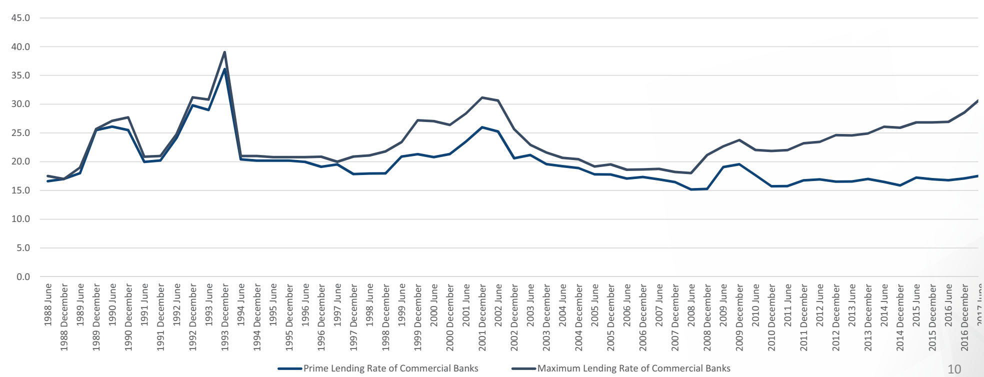
➢ **Under what conditions would demand and supply of agric finance increase?**

➢ **What role do interest rates play in demand and supply?**

9

What rates are charged in the markets?

Prime and maximum lending rates of commercial banks (1988-2017)



10

What rates are charged in the markets?

Lending rates of MFBs

•No longitudinal data

•Range for large MFBs: 30-90% p.a.

•GIZ survey: 102% p.a. (median)

•CAMEL rating benchmarks:

- **•Operating costs < 10% p.a.**
- **•Loan losses < 2%**

11

What composes interest rates?

1. Cost of funds
2. Operating costs (incl. personnel and administrative costs, depreciatior and amortization)
3. Loan losses (operationalized here as the net loan loss provisioning)
4. Protection of equity against inflation
5. Profit margin

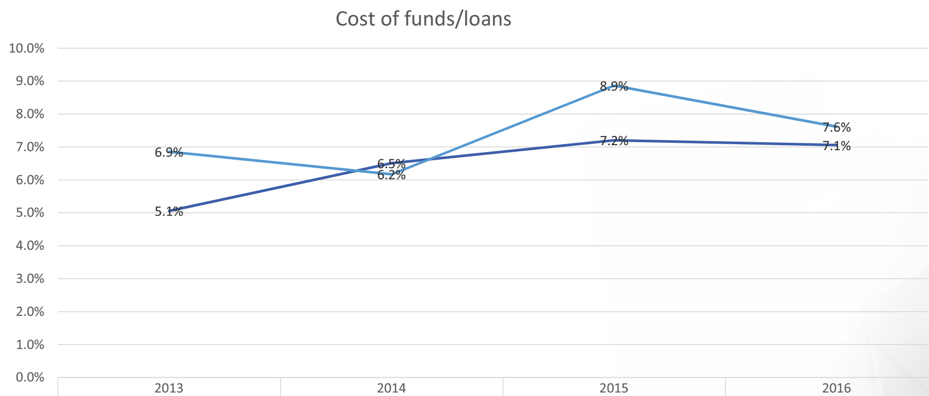
12

What methodology did I use to compare interest rates?

- Review of the financial statements of 5 commercial banks (arbitrary selection) and 6 MFBs (6 of the 9 biggest MFBs with complete data publicly accessibly)
- Data for 2013-2016
- Calculation of all items over loans outstanding at end of year
- I should have used final loan losses, not LLPs (1% point error)
- I should have used average loans outstanding, not end of year amounts (results would have been higher)

13

Cost of funds of 6 MFBs and 5 commercial banks (2013-2016)

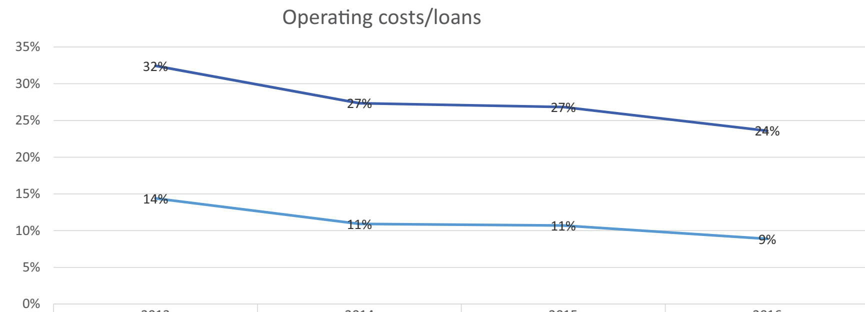


	2013	2014	2015	2016
6 MFBs	5.1%	6.5%	7.2%	7.1%
5 Commercial Banks	6.9%	6.2%	8.9%	7.6%

6 MFBs   5 Commercial Banks

14

Operating cost of 6 MFBs and 5 commercial banks (2013-2016)

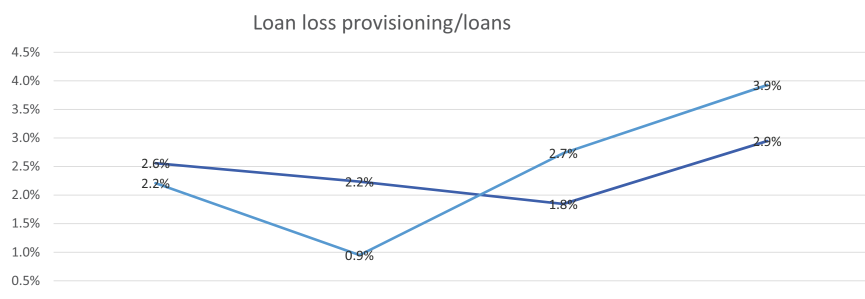


	2013	2014	2015	2016
6 MFBs	32%	27%	27%	24%
5 Commercial Banks	14%	11%	11%	9%

6 MFBs 5 Commercial Banks

15

Loan loss provisioning over loan portfolio of 6 MFBs + 5 commercial banks (2013-16)

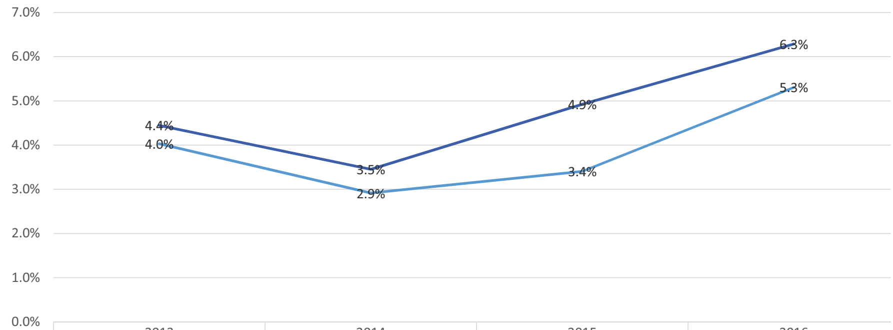


	2013	2014	2015	2016
6 MFBs	2.6%	2.2%	1.8%	2.9%
5 Commercial Banks	2.2%	0.9%	2.7%	3.9%

6 MFBs 5 Commercial Banks

16

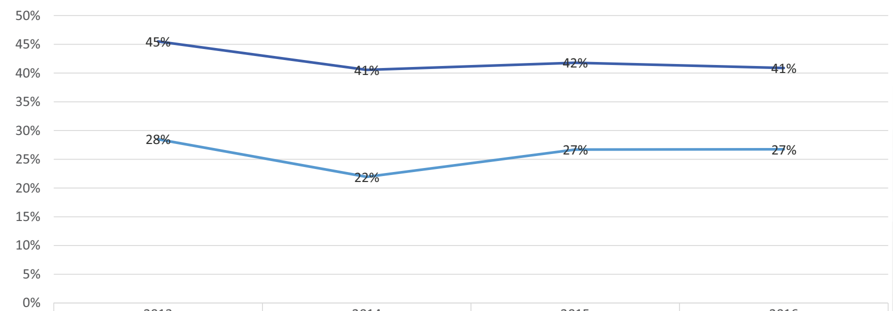
Equity protection against inflation of 6 MFBs and 5 commercial banks (2013-2016)



	2013	2014	2015	2016
6 MFBs	4.4%	3.5%	4.9%	6.3%
5 Commercial Banks	4.0%	2.9%	3.4%	5.3%

17

Minimum interest to be charged by 6 MFBs and 5 commercial banks (2013-2016)

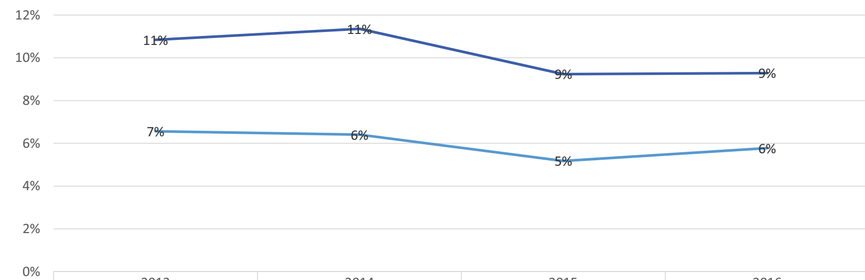


	2013	2014	2015	2016
6 MFBs	45%	41%	42%	41%
5 Commercial Banks	28%	22%	27%	27%

18

Actual net profits over loans of 6 MFBs and 5 commercial banks (2013-2016)

Net profit/loans



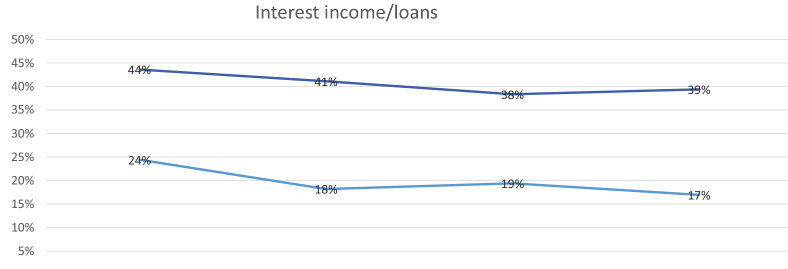
	2013	2014	2015	2016
6 MFBs	11%	11%	9%	9%
5 Commercial Banks	7%	6%	5%	6%

6 MFBs 5 Commercial Banks

19

Interest income over loans of 6 MFBs and 5 commercial banks (2013-2016)

Interest income/loans



	2013	2014	2015	2016
6 MFBs	44%	41%	38%	39%
5 Commercial Banks	24%	18%	19%	17%

6 MFBs 5 Commercial Banks

20

Short-term conclusions

- For MFBs and commercial banks, the 2 items they can influence are operating cost and loan loss provisions
- COF and inflation rate depend on market trends/external factors
- Repayment is well managed by MFBs and commercial banks
- The biggest cost item is operating cost: 28% points of the lending rate of MFBs/11% points for commercial banks
- Even if loan capital would be granted to commercial banks or MFBs at zero cost, the effect on the lending rate would be only 7% points
- Even if capital would be provided at zero cost and at the risk of a 3 rd party, the lending rate could decline by 14% points for MFBs and commercial banks
- Only interventions leading to a sustainable reduction of operating costs will have a sustainable effect on the lending rates of the financial sector

21

AFOS initiative in agricultural finance

Small project for 3.5 years to support MFBs and agribusinesses in Nigeria

Goal: to enhance the efficient management of local agricultural value chains and the related food production and processing industry as well as improve the performance and outreach of the MFB-subsector by

- **developing new dual vocational training systems in the agricultural sector, and**
- **conducting training and providing technical support for accelerated lending for agricultural purposes with focus on knowledge and skills in agriculture and agricultural finance, adjusting products, terms and conditions, enhancing the agricultural production knowledge of farmer clients served by partner MFBs, arrangements for value chain development and value-based organizational development;**

22

Medium-term conclusions

- The bigger chunk of agric finance will continue to come from the commercial banking sector
- Great potential and interest in some MFBs to expand agric lending
- Big questions are area of competence, capacity to serve and interest
- Micro-lending will certainly remain the domain of MFBs
- Medium and large scale enterprises will remain the domain of commercial banks
- Convergence in the case of small scale enterprises, a common area of overlap between downscaling of commercial banks and upscaling of MFBs

23

Recommendations

1. CBN to increase the loan ceiling for MFBs from NGN 500,000 to NGN 10 million to compensate for inflation and allow for financing of farmer groups and value chain operations
2. CBN to offer refinance for term loans (1-3 years) in Naira to MFBs to enable MFBs lend for small equipment, without policy strings attached
3. CBN to request MFBs and MFIs to express their interest rates and charges as annual percentage rate (APR)

24

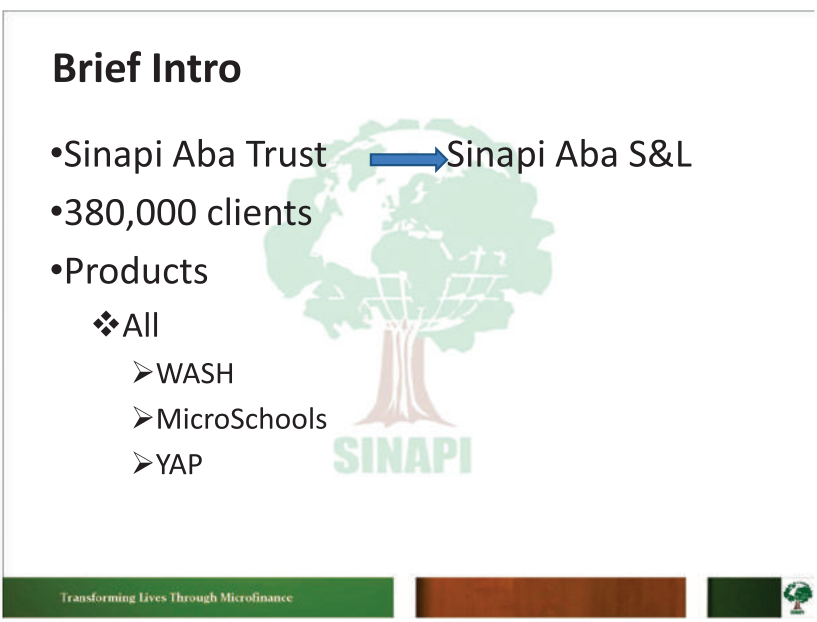
I thank you for your kind interest!

Dr. Michael Marx, AFOS consultant
Cologne, Germany
mtmarx123@gmail.com
marx@afos.ng

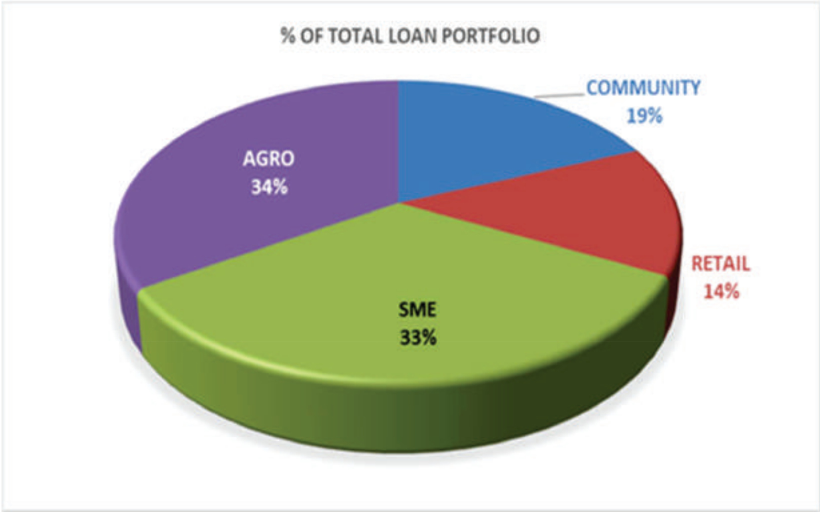
25

Technical Paper II: International Perspective

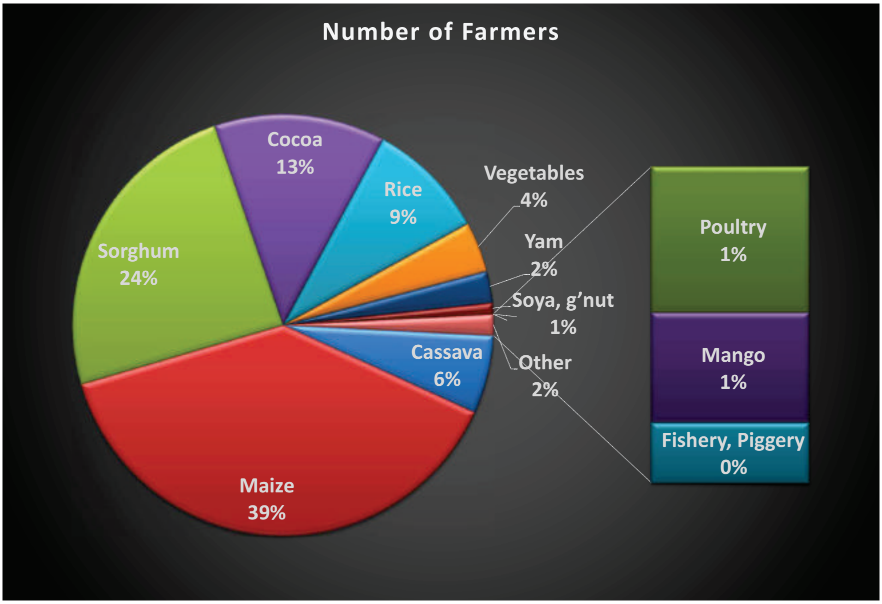
Mr. Tony Fosu, Chief Executive Officer, Sinapi Aba Savings and Loans
Brief Overview of Agric Lending from Sinapi Aba's Perspective



Distribution of Credit Products

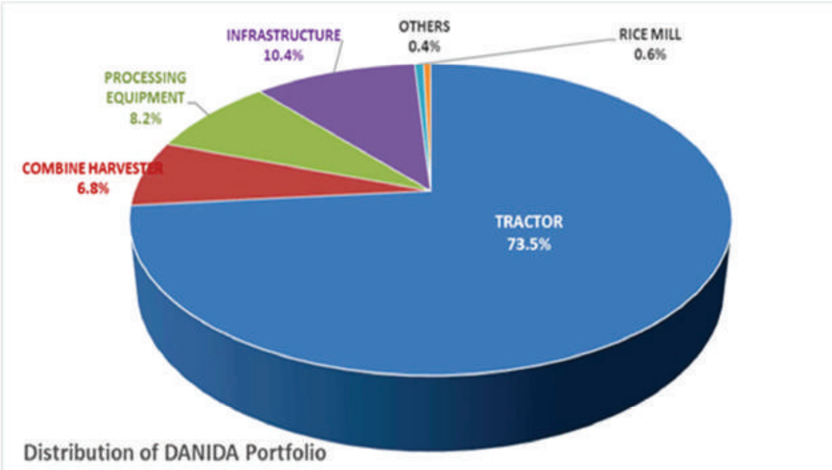


Transforming Lives Through Microfinance



Transforming Lives Through Microfinance

Agric Equipment Portfolio



Transforming Lives Through Microfinance

Value Chains

- Challenges of Agric Lending

- Marketing
- Storage, warehousing
- Irrigation
- Insurance

Transforming Lives Through Microfinance

Sorghum Value Chain

- Started 2010
- 3 Organization Partnership
  - Guinness Ghana
  - TechnoServe
  - Sinapi Aba
- Initial Funding challenges
- Started with 200 farmers
- Avg LS $US 250 to 900
  - Avg. 1.5 acres
    - ❑Avg. 3.3 acres
  - 1.75MT/ha
    - – From 0.8 MT/ha
- Over 5000 farmers

SINAPI

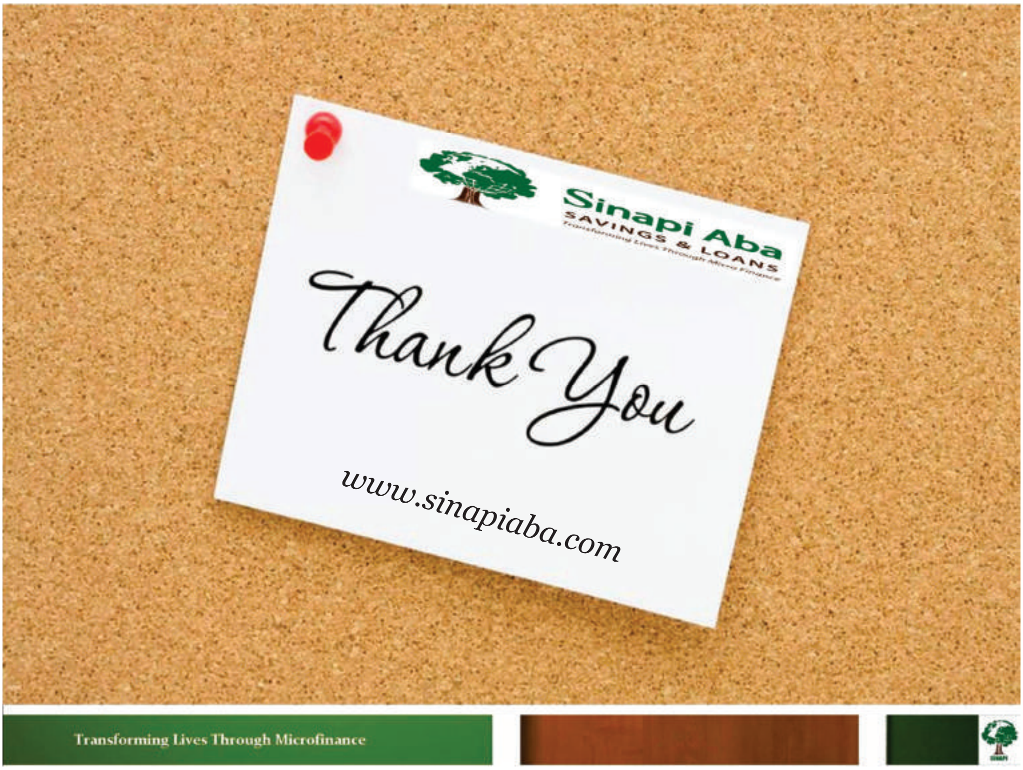
Transforming Lives Through Microfinance

Important Lessons Sharing

- Partnerships and Collaboration
  - •Value Chain and Linkages
  - •Government Programmes
  - •Development Partners
  - •Walk through with Farmers
    - ➢Farm Life
    - ➢Family Life
    - ➢Others

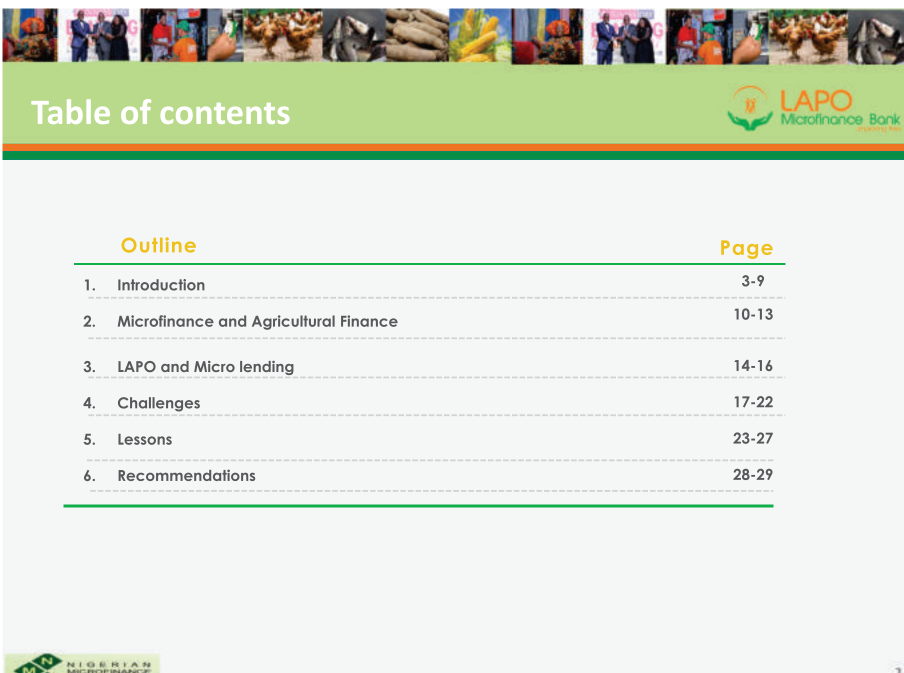
SINAPI

Transforming Lives Through Microfinance


Sinapi Aba
SAVINGS & LOANS
Thank You
www.sinapiaba.com
Transforming Lives Through Microfinance

Technical Paper III: A Practitioner's Perspective

Dr. Godwin Ehigiamusoe, Managing Director, LAPO Microfinance Bank Limited
Experiences in Providing Agricultural Finance by Microfinance Banks in Nigeria: Challenges and Reform Perspectives



Introduction - Agriculture in Nigeria

LAPO Microfinance Bank

The Nigerian economy during the first decade after independence could reasonably be described as an agricultural economy because agriculture served as the engine of growth of the overall economy.

From the standpoint of occupational distribution and contribution to the GDP, agriculture was the leading sector.

Introduction - Agriculture in Nigeria

KEY AGRICULTURAL SECTOR STATISTICS BETWEEN 1960 AND 1965

- Provincially focused policies based on the economic principle of commodity relative advantage.
- Nigeria was agriculturally self-sufficient and food secure.
- Nigeria was the largest producer of groundnut.
- Nigeria was the largest manufacturer of palm oil.
- Momentous producer of cotton and cocoa.
- Main source of employment – employed about 70% of labour force.
- 62.2% of foreign exchange.
- Contributed 66.4% to Nigeria GDP.

Introduction - Agriculture in Nigeria cont...

However, at the dawn of the 1970s, agriculture lost its dominant position to crude oil and natural gas in terms of contribution to GDP, the export basket, foreign exchange earnings, government revenue and so on. Output deteriorated and the sector was generally stagnated.

The food situation became disturbing and almost alarming to the extent that, Nigeria, once one of the leading producers of certain agricultural goods, became an importer of some of the same products, especially food grains.

Introduction - Agriculture in Nigeria cont…

- In order to reverse this trend, the country adopted series of agricultural revival strategies and programmes targeted at different activities in the agricultural sector.
- The efforts were further boosted by increased earnings from crude oil sales.
- Massive funds were also invested in the sector, several institutions were created and the work force developed.

But!

In spite of all these, agricultural production remained low and lagged behind other sectors.

7

Introduction - Agriculture in Nigeria

Recently, the agricultural sector picked up again, contributing positively to the gross domestic product of the country and government has seen agriculture as another mainstay and bedrock of the nation's economic growth.

Introduction - Agriculture in Nigeria cont…

RECENT AGRICULTURAL SECTOR STATISTICS

- In Q2, 2017, agricultural sector contributed 3.0% to the country's economy. As of Q3, 3017, 46.8% were employed under all agricultural related activities in Nigeria.
- 40% of Nigeria arable land is under cultivation as and 2017.
- Agriculture contributed 1.08% to Nigeria GDP in 2017.

9

Microfinance and Agric financing

10

Why did microfinance get involved?

Provision of financial support for agriculture has been a prime intervention strategy for poverty reduction especially in rural areas and this could be attributed to four reasons:

1. Large proportion of the population engages in Agriculture;
2. Increasing policy attention to agricultural development;
3. Neglect of the rural economy by conventional financial institutions.

Microfinance and Agric Financing in Nigeria

- There are 1,012 (as at March, 2018) microfinance banks.
- Most microfinance banks are based in urban and semi-urban areas with focus on commerce.
- Participation in the CBN's Agricultural Credit Guarantee Scheme.

Microfinance and Agric Financing in Nigeria

LAPO Microfinance Bank

❖ **Most microfinance operators are comfortable in lending to enterprises in commerce**

✓ Conventional features of microfinance do not make for agricultural financing. For instance, the installment repayment structure with short moratorium are not responsive to agricultural enterprises.

✓ Traditional target of microfinance institutions are owners of micro and small enterprises which require:

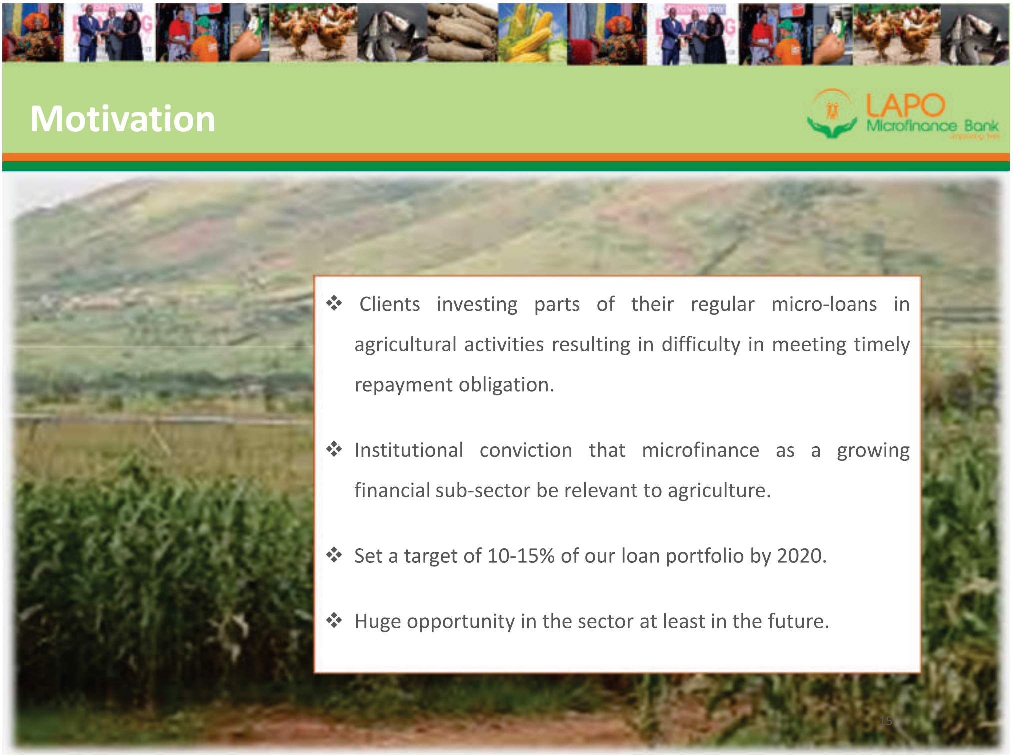
- Small units of financial services.
- With shorter gestation period.
- Relative higher cost of access (e.g. interest rates).

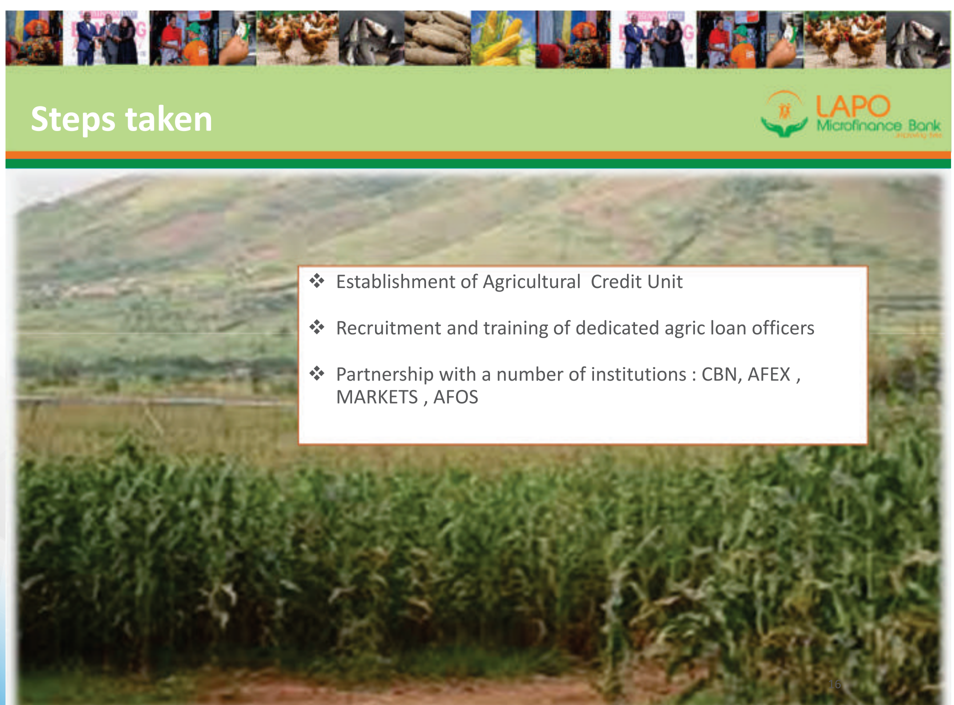
13

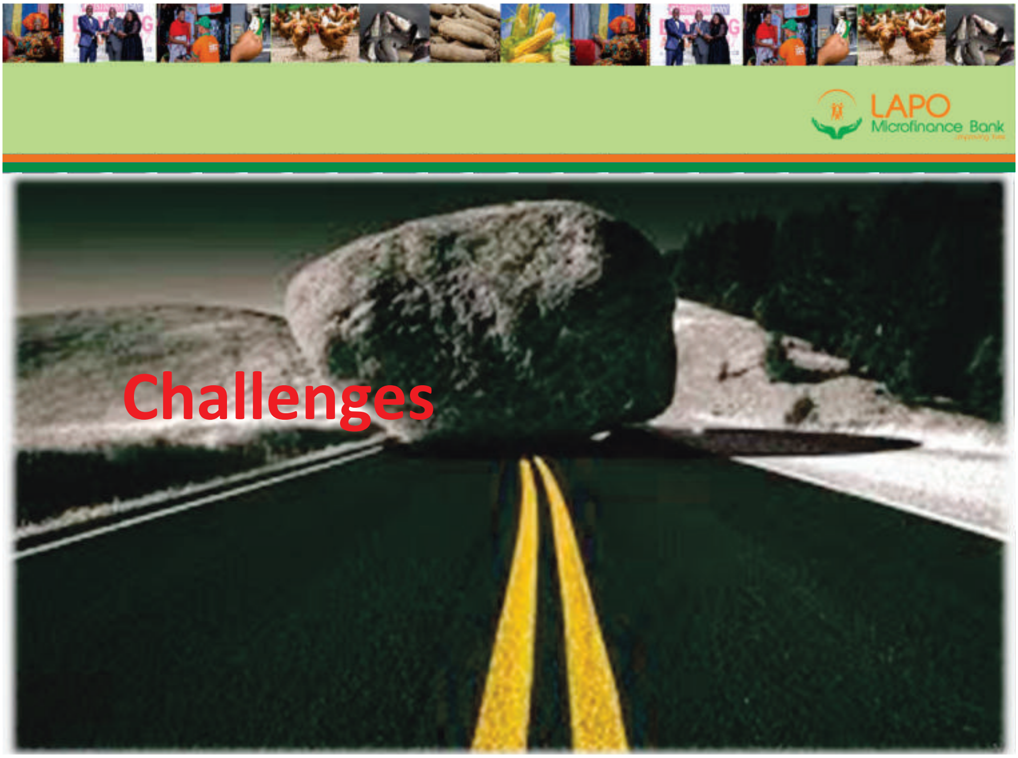
LAPO Microfinance Bank

LAPO and Agricultural lending

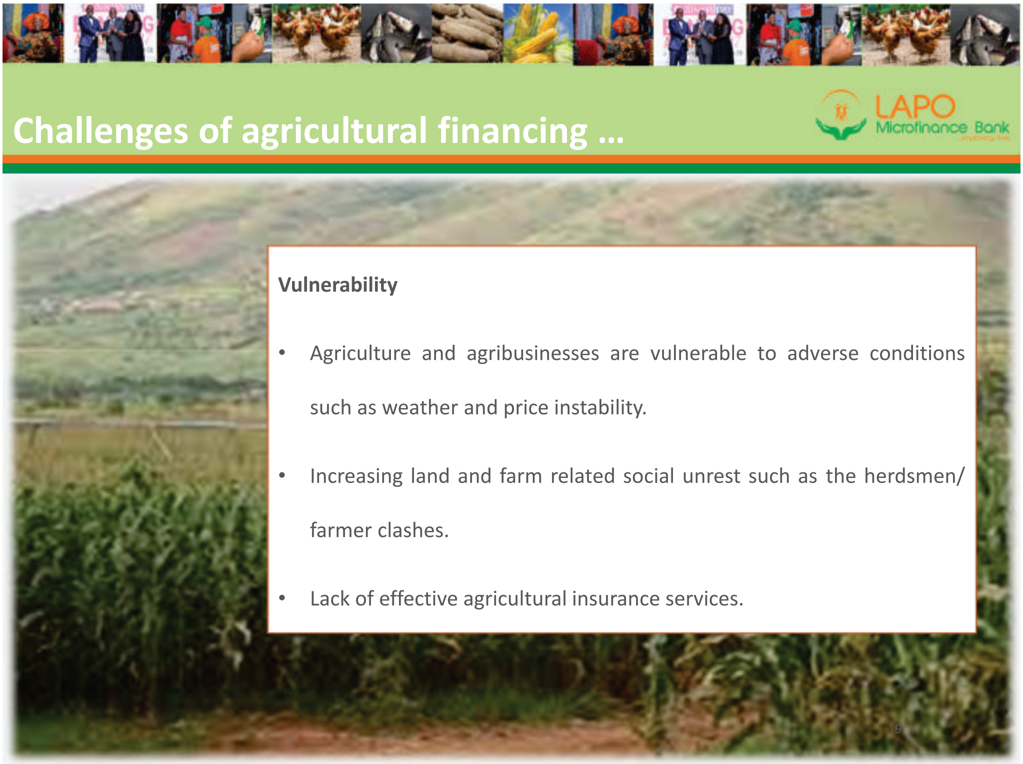
14


Motivation
LAPO
Microfinance Bank
❖ Clients investing parts of their regular micro-loans in agricultural activities resulting in difficulty in meeting timely repayment obligation.
❖ Institutional conviction that microfinance as a growing financial sub-sector be relevant to agriculture.
❖ Set a target of 10-15% of our loan portfolio by 2020.
❖ Huge opportunity in the sector at least in the future.

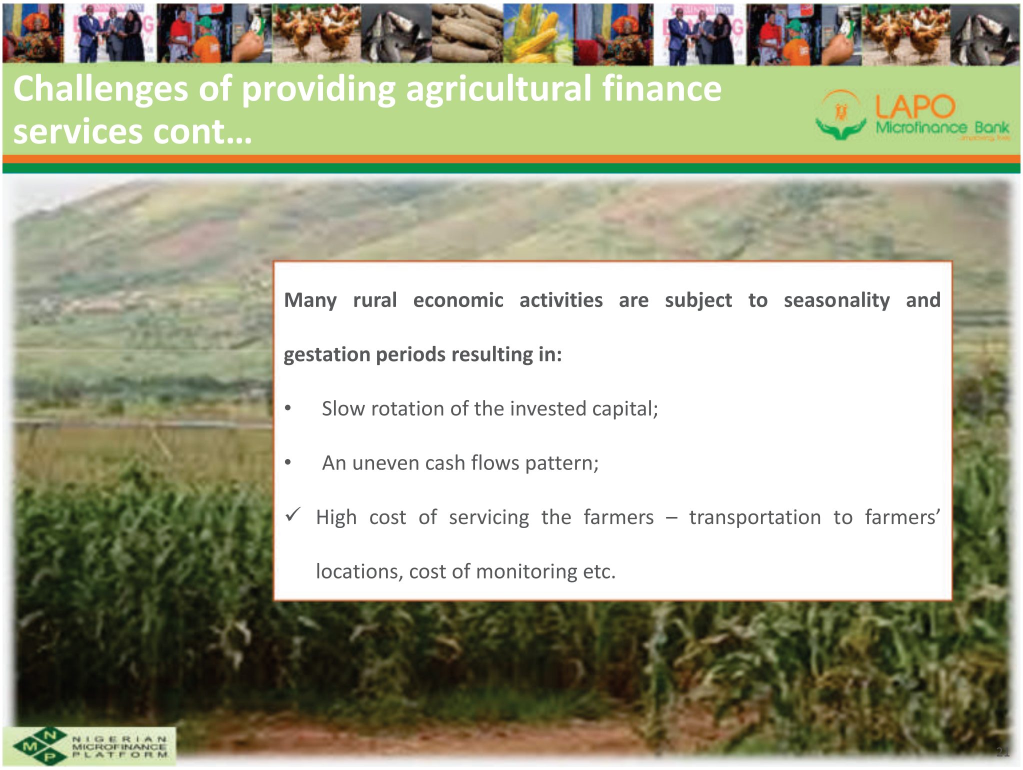

Steps taken
LAPO
Microfinance Bank
❖ Establishment of Agricultural Credit Unit
❖ Recruitment and training of dedicated agric loan officers
❖ Partnership with a number of institutions : CBN, AFEX , MARKETS , AFOS

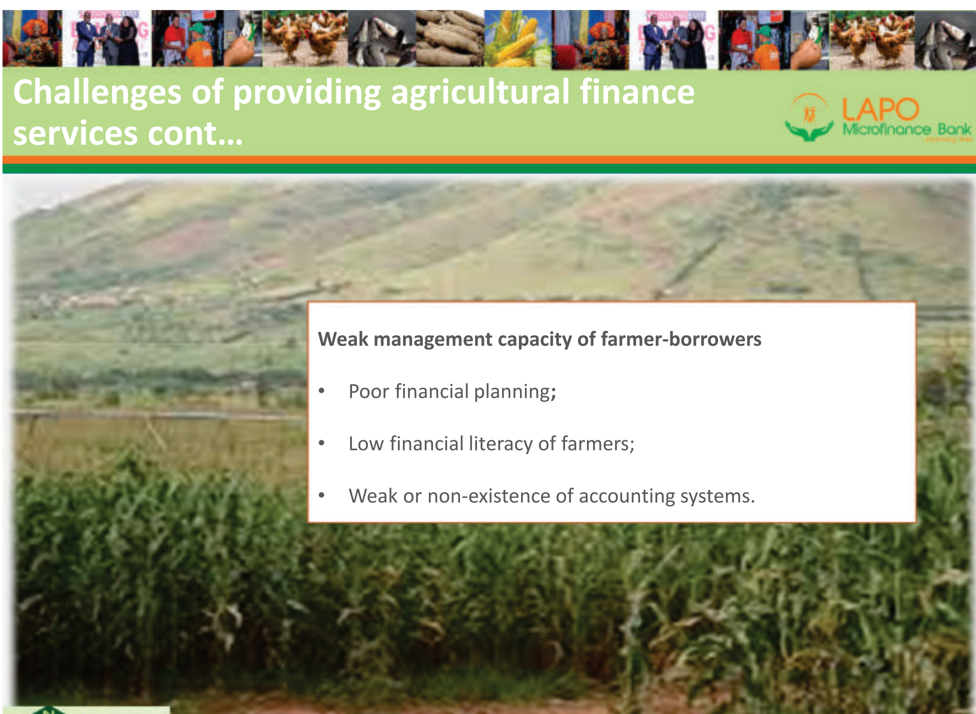

LAPO Microfinance Bank
Challenges


LAPO Microfinance Bank
Challenges of agricultural financing …
Most microfinance operators do not possess requisite skills in agricultural lending.
• Loan appraisal processes for agric lending are quite different the convention loan appraisal in microfinance.
• Value chain financing is still a challenge to most microfinance institutions.
• Most microfinance institutions do not have the resource to develop the required skills.


Challenges of agricultural financing ...
LAPO
Microfinance Bank
Vulnerability
• Agriculture and agribusinesses are vulnerable to adverse conditions such as weather and price instability.
• Increasing land and farm related social unrest such as the herdsmen/ farmer clashes.
• Lack of effective agricultural insurance services.


Challenges of agricultural financing ...
LAPO
Microfinance Bank
Interference and loan Pricing
• Agricultural lending has been sentimentalized. For many political leaders, provision of financial services to rural dwellers is regarded as a panacea for rural poverty.
• Various schemes and initiatives which promise support and subsidized interest rates are poorly managed.


Challenges of providing agricultural finance services cont…
LAPO Microfinance Bank
Many rural economic activities are subject to seasonality and gestation periods resulting in:
• Slow rotation of the invested capital;
• An uneven cash flows pattern;
✓ High cost of servicing the farmers – transportation to farmers' locations, cost of monitoring etc.
NIGERIAN MICROFINANCE PLATFORM


Challenges of providing agricultural finance services cont…
LAPO Microfinance Bank
Weak management capacity of farmer-borrowers
• Poor financial planning;
• Low financial literacy of farmers;
• Weak or non-existence of accounting systems.
NIGERIAN

LAPO Microfinance Bank

LESSONS

23

LAPO Microfinance Bank

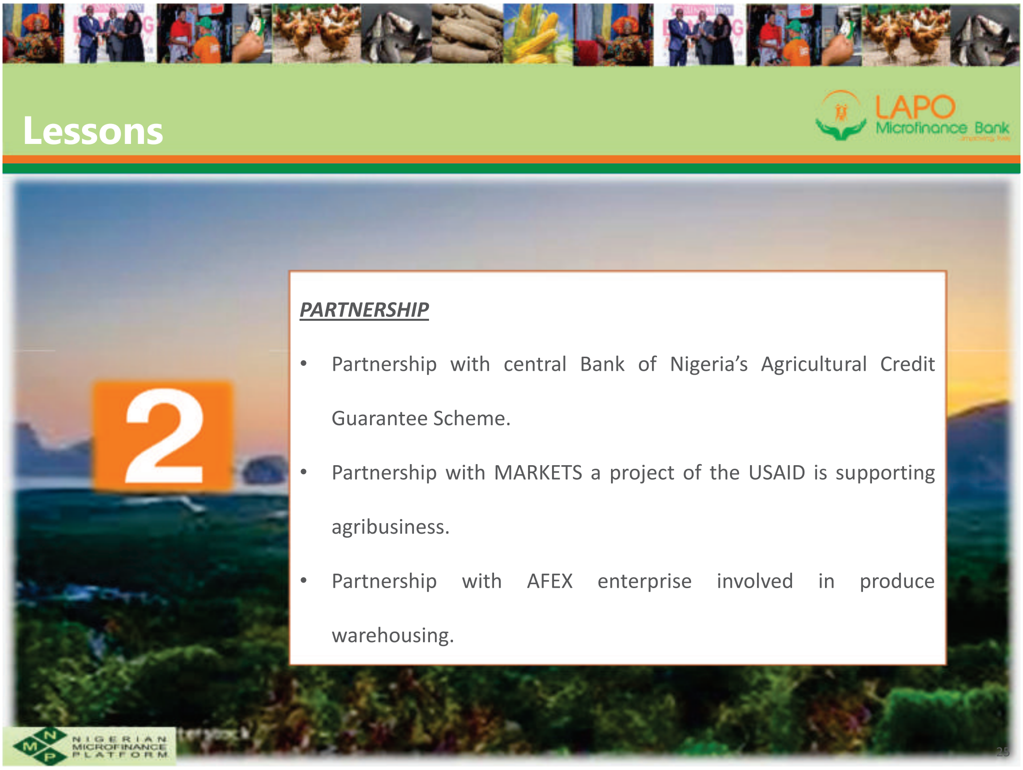
Lessons

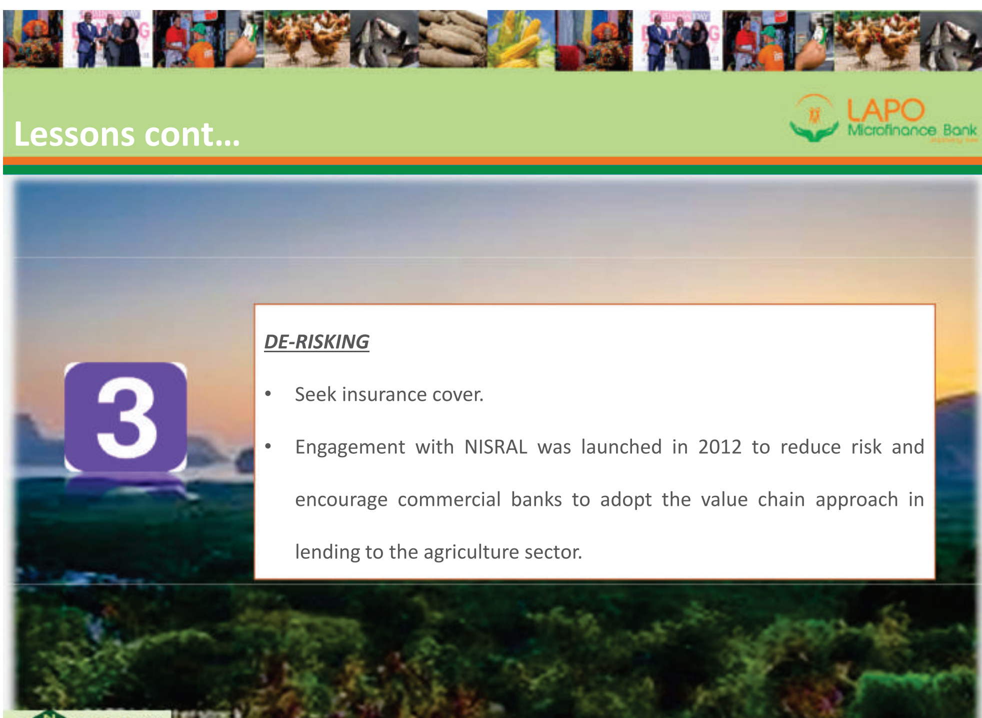
1

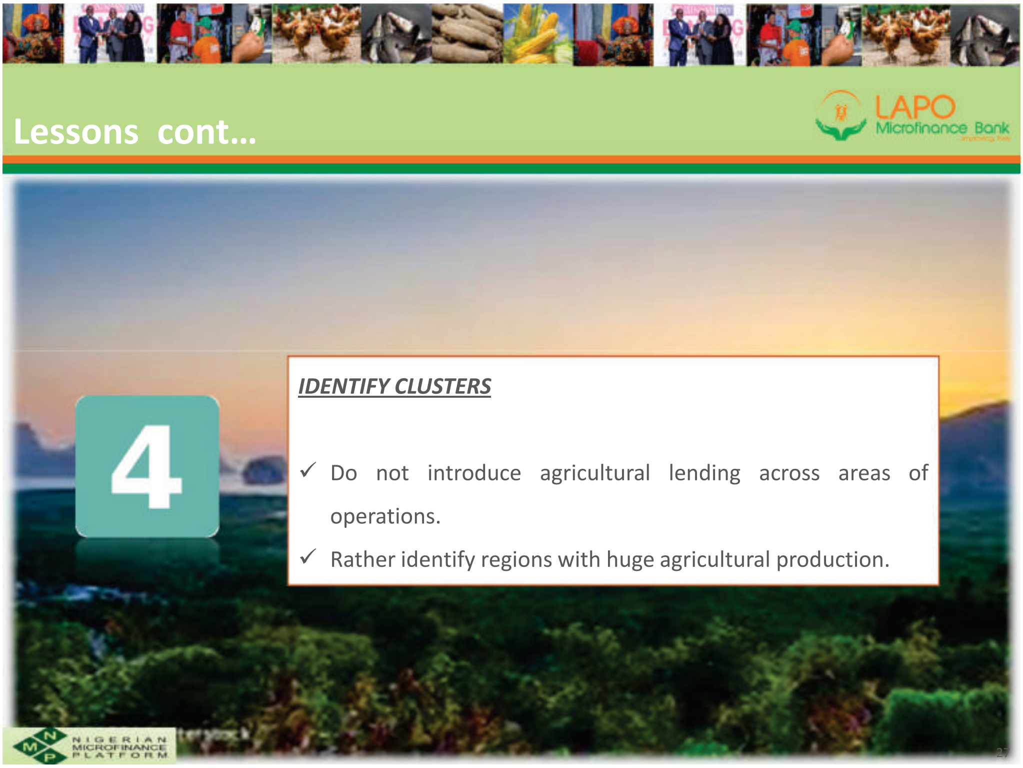
DEDICATED INSTITUTIONAL STRUCTURE

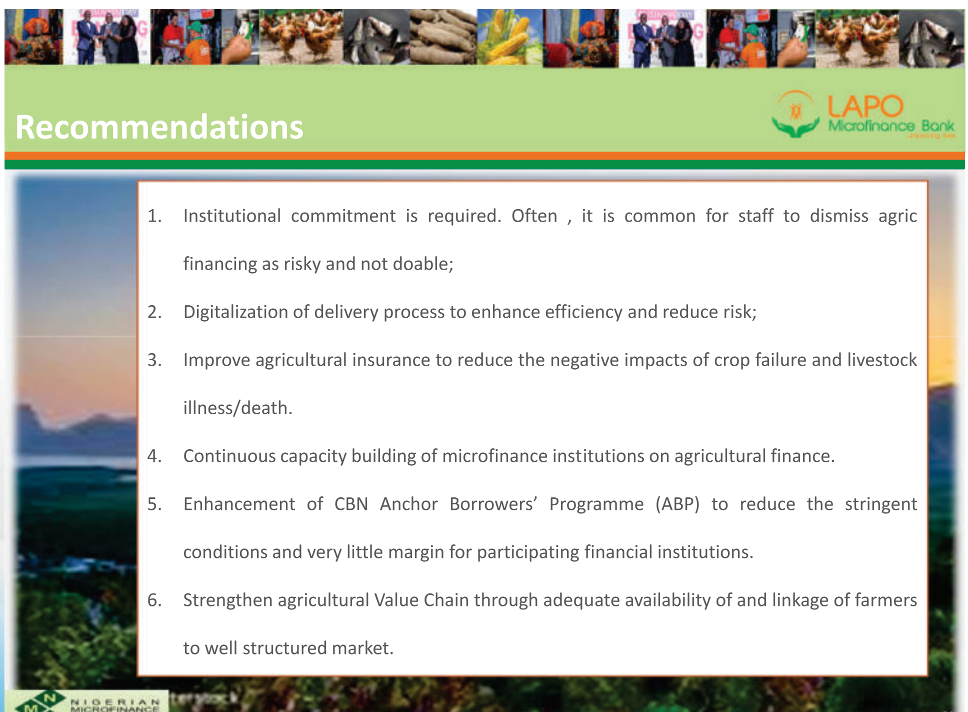
- ✓ Establish Agric lending structure
- Recruitment of dedicated staff.
- Build staff capacity.
- Development of operational procedures.

NIGERIAN


Lessons
LAPO Microfinance Bank
2
PARTNERSHIP
• Partnership with central Bank of Nigeria's Agricultural Credit Guarantee Scheme.
• Partnership with MARKETS a project of the USAID is supporting agribusiness.
• Partnership with AFEX enterprise involved in produce warehousing.
NIGERIAN MICROFINANCE PLATFORM

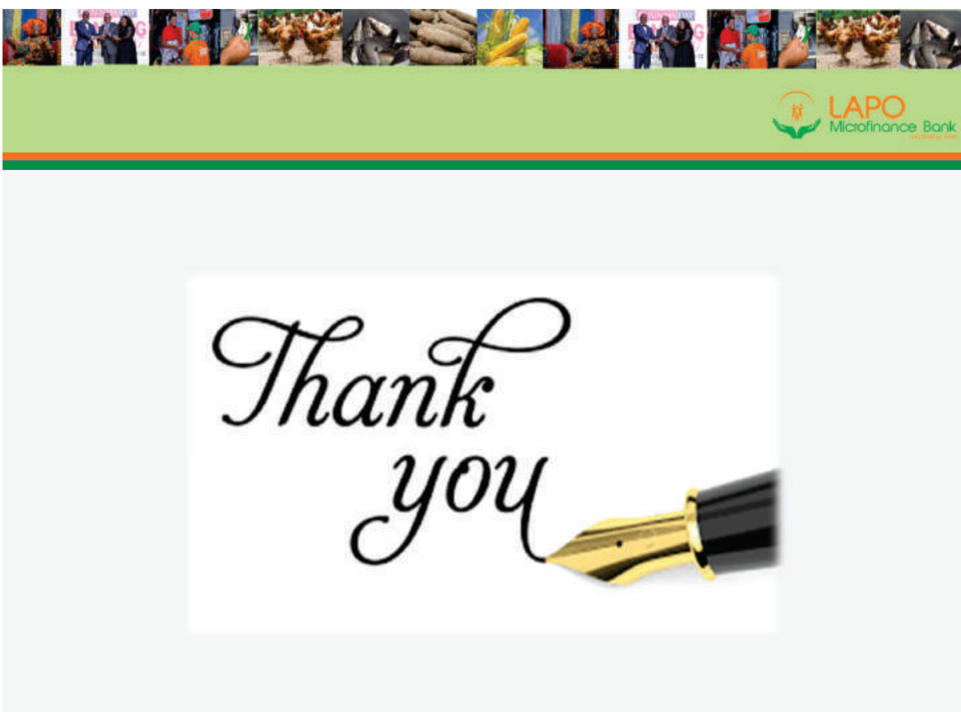

Lessons cont…
LAPO Microfinance Bank
3
DE-RISKING
• Seek insurance cover.
• Engagement with NISRAL was launched in 2012 to reduce risk and encourage commercial banks to adopt the value chain approach in lending to the agriculture sector.
NIGERIAN


Lessons cont…
LAPO
Microfinance Bank
4
IDENTIFY CLUSTERS
✓ Do not introduce agricultural lending across areas of operations.
✓ Rather identify regions with huge agricultural production.
NIGERIAN MICROFINANCE PLATFORM


Recommendations
LAPO
Microfinance Bank
1. Institutional commitment is required. Often , it is common for staff to dismiss agric financing as risky and not doable;
2. Digitalization of delivery process to enhance efficiency and reduce risk;
3. Improve agricultural insurance to reduce the negative impacts of crop failure and livestock illness/death.
4. Continuous capacity building of microfinance institutions on agricultural finance.
5. Enhancement of CBN Anchor Borrowers' Programme (ABP) to reduce the stringent conditions and very little margin for participating financial institutions.
6. Strengthen agricultural Value Chain through adequate availability of and linkage of farmers to well structured market.
NIGERIAN MICROFINANCE PLATFORM

Recommendations

1. Institutional commitment is required. Often , it is common for staff to dismiss agric financing as risky and not doable;
2. Digitalization of delivery process to enhance efficiency and reduce risk;
3. Improve agricultural insurance to reduce the negative impacts of crop failure and livestock illness/death.
4. Continuous capacity building of microfinance institutions on agricultural finance.
5. Enhancement of CBN Anchor Borrowers' Programme (ABP) to reduce the stringent conditions and very little margin for participating financial institutions.
6. Strengthen agricultural Value Chain through adequate availability of and linkage of farmers to well structured market.



Technical Paper III: A Practitioner's Perspective

Dr. Johannes Flosbach, Corporate Strategy and Business Development, CHI Farms
Agro Industry Perspective to Agricultural Finance: Case Study on Buyback and Financing Scheme to Empower Smallholder Catfish Farmers and Strengthen the Aquaculture Value Chain

TGI GROUP

chi FARMS

Agro Industry Perspective to Agricultural Finance

Case Study: Buyback and Financing Scheme to Empower Smallholder Catfish Farmers and Strengthen the Aquaculture Value Chain

Dr. Johannes Flosbach 24 May 2018

chi FARMS

Question: What do these two have to do with each other?

THE WHEATBAKER lagos

????

- Food Security
- Smallholder Farmer Finance

I have max 15 minutes to briefly cover:

- Overview of Chi Farms
- The Chi Farms Smallholder Farmer Programme
- The Farmer Financing Scheme with Diamond Bank and CBN
- At the core of the project: The Farmer Business Case
- Key Lessons

Chi Farms is market leader in chicken hatching and breeding; top 3 company in meat production

Products and Processes

Poultry — Local production

Integrated poultry industry covering feed production, hatching (GPS, PS, CLB*), and commercial farming

Aquaculture — Local production

Integrated catfish farming covering feed production, hatching, fattening

Cattle — Local production

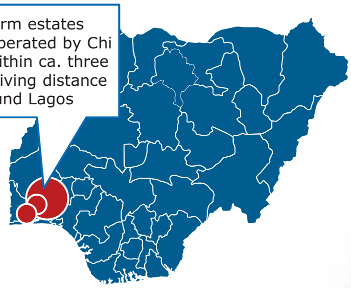
Cattle breeding and fattening

Meat processing — Local production

Processing of poultry and beef for premium segments (HORECA, modern retail etc.)

Places

13 Farm estates owned/operated by Chi Farms within ca. three hours driving distance around Lagos



Ajanla Farms (Oyo - Main Farm)
- Hatching / breeding
- Farming / fattening
- Animal feed production

Ogun State (KM51)
- Meat processing

In 2016 Chi Farms started a contract farmer program with catfish farmers

- 1,200 farmers trained
- 80 farmers under buy back scheme

1. Farmer and Chi Farms conclude agreement
2. Chi Farms provides juveniles and feed
3. Chi Farms conducts weekly visits to Farmers
4. Chi Farms harvests and sells grown fish
5. Chi Farms deducts cost of feed and juveniles from sales proceeds and pays profit to farmer

To bridge the funding gap, Chi Farms has worked with Diamond Bank and recently started with CBN

1. Required bank documents provided by farmers
2. Bank approval of overdraft and provision of voucher booklet to farmers
3. Chi Farms delivers input to farmers and collects vouchers
4. Chi Farms takes vouchers to the bank and gets paid
5. Chi Farms buys back fish products from farmers and settles farmers' accounts with the bank (repayment of principal and interest)

In the pilot group, profitability ranges from -19% to 41% during a six month production cycle

Name of farmer	Total input cost	# fish provided	# fish harvested	Total biomass	ABW	Value of fish	Profit	in %
Talk to Me Nig Coy	305.285	1.000	342	497,6	1,45	373.200	67.915,00	22,25%
Adesina Bolanle	715.125	1.500	1287	1341,3	1,04	1.005.975	290.850,00	40,67%
Mrs Dare Ronke	475.385	1.000	496	678,4	1,37	508.800	33.415,00	7,03%
Tarian Farms	2.364.925	4.000	3970	3988,2	1,00	2.991.150	626.225,00	26,48%
Ogunjobi Morenike	475.385	1.000	751	730,4	0,97	547.800	72.415,00	15,23%
Ogunbola Ventures	475.385	1.000	844	886,15	1,05	664.613	189.227,50	39,81%
Moda Synergy	305.285	1.000	765	455	0,59	341.250	35.965,00	11,78%
Sola Alayo	475.385	1.000	969	800	0,83	600.000	124.615,00	26,21%
Adetutu Coker	475.385	1.000	720	661,9	0,92	496.425	21.040,00	4,43%
Atinuke Kazeem	475.385	1.000	481	717,2	1,49	537.900	62.515,00	13,15%
Iya Olomi Moslem	305.285	1.000	619	329,71	0,53	247.283	- 58.002,50	-19,00%
Zaiblore Nig. Ent.	475.385	1.000	784	750,6	0,96	562.950	87.565,00	18,42%

In the pilot group, profitability ranges from -19% to 41% during a six month production cycle

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Key take away for Chi Farms from business case:

- Even in this relatively profitable agric business model, profitability is not enough to work with commercial lending rates
- The CBN Anchor Borrowing Scheme (9%) will be the primary scheme for Chi Farms
- Investing into reliable market access is key for Chi Farms (both local markets and export markets)

Chi Farms will further roll out it's out-grower scheme – but with the necessary patience!

chi FARMS

Some experiences of working with our partner farmers:

- Very loyal and committed once there is a long term outlook
- Rigid filtering of non-performing versus performing farmers needed
- Weekly check-in by the technical team is a must
- Individual lending is almost impossible due to practical implications of regulatory requirements, hence we work with cooperatives only

Some experiences of working with commercial banks:

- Still tendency to overcomplicate the 'front end'
- Risk appetite for agricultural lending close to zero
- Understanding of agriculture is usually limited to individual experts, but not to a larger group of 'agri-bankers'

Some internal experience in working with agri-finance under this program:

- Nothing convinces more than a proven business case
- Access to long term funding for agriculture is just as much a problem for smallholder farmers as it is for larger agricultural entities like Chi Farms
- After the positive experience from the last two years, our owner/chairman has given the target to reach 10,000 MT of catfish to be produced by smallholder farmers

chi FARMS

Back to the Question: What do these two have to do with each other?

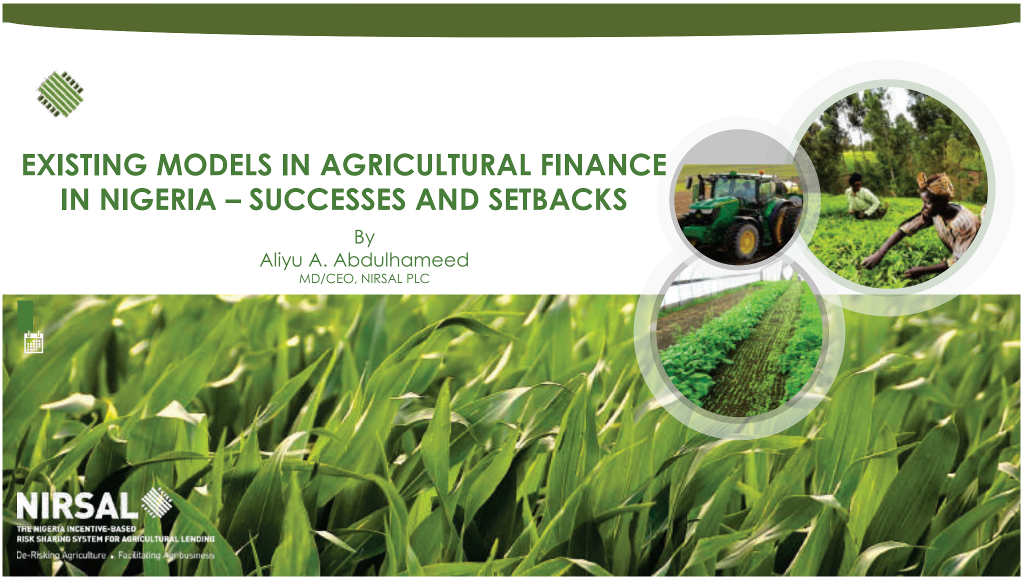
THE WHEATBAKER lagos

????

- **Food Security**
- **Smallholder Farmer Finance**

Technical Paper V: A De-risk Perspective

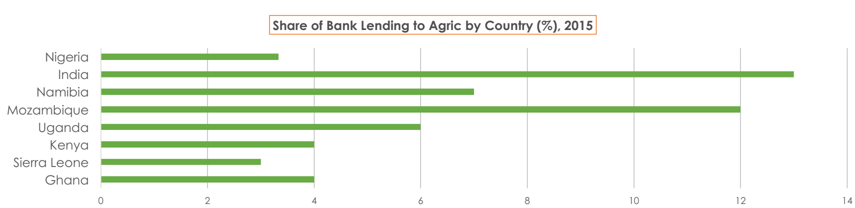
Dr. Aliyu A. Abdulhameed, MD/CEO, The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL Plc)
Existing Models in Agricultural Finance in Nigeria- Successes and Setbacks



State of Agric Finance in Nigeria

The Comprehensive African Agriculture Development Program (CAADP) principles
• Agriculture-led growth as a main strategy to achieve MDG-1 • The pursuit of a 6% annual sector growth rate at the national level • The allocation of at least 10 % of national budgets to the sector • The exploitation of regional complementarities and cooperation to boost growth • Policy efficiency, dialogue, review, and accountability • Partnerships and alliances to include farmers, agribusiness, and civil society communities

Statutory allocation is far below the CAADP benchmark endorsed by African Heads of State in Maputo 2003



Source: CGAP Report, 2015

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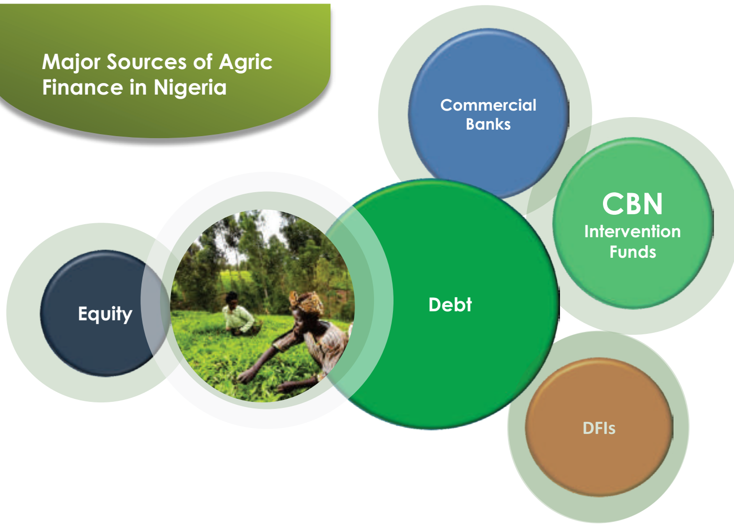
Major Sources of Agric Finance in Nigeria



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5

Private Sector and DFI

- Commercial Banks (mainly), Micro Finance Institutions, BoA, BoI, NEXIM, DBN
- Nature of Financing: Bank loans and Overdrafts for fixed assets and working capital
- Eligible enterprises: All activities in the Agric value chain, with preference for short tenured transactions in the mid- and down-stream agribusiness value chain

Activity: Aggregate Deposit Money Bank lending to the Agric Sector as at Q1 2018: N501.67Bn (3.21% of total Credit)

Setbacks: Insistence on traditional collateral, High Interest Rate, Apathy to Smallholder Primary Production, Liquidity Constraints, High loan loss ratio

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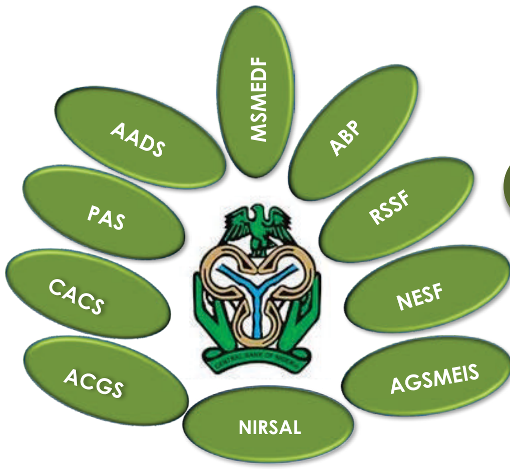
6

CBN Interventions



CBN Agricultural Finance Interventions

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Agricultural Credit Guarantee Scheme Fund (ACGS)

Purpose	Established in 1977 to guarantee credit facilities extended to farmers by banks by up to 75%
Funding	N3 billion capital base
Target	Crop and livestock production, agro processing and marketing
PFIs	All DMBs, MFBs
Activities	N3.88 Billion guaranteed between Jan – Aug 2017 of which N3.76 Billion was from MFBs. N107.89 Billion guaranteed from inception in 1978 to Aug 2017
Setbacks	Loan delinquency, lack of effective monitoring capacity by lenders

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Commercial Agricultural Credit Scheme (CACS)

Purpose	Established in 2009 to provide credit facilities to large-scale commercial agribusiness enterprises
Funding	N200 billion, multi-tenured bond raised by the Debt Management Office (DMO)
Target	Farm input supplies, Production, Processing, Storage and Marketing
PFIs	All DMBs including Non-Interest Financial Institutions
Activities	N551.18 billion for 5471 projects disbursed from inception to Q1, 2018
Setbacks	Limited scope of focal commodities, no consideration for agribusiness start-ups, limited capacity of promoters in presenting bankable transactions

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Paddy Aggregation Scheme (PAS)

- ✓ Approved as a special window under CACS
- ✓ Working capital facility for integrated rice millers at 9.0 per cent interest rate and 6 months tenor.
- ✓ N12.5 billion disbursed to develop 5 projects as at September 2017.

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Micro, Small and Medium Enterprises Development Fund (MSMEDF)

Purpose	To channel low interest funds to the MSME sub-sector of the Nigerian economy
Funding	Take - off seed capital of N220billion
Target	MSMEs in the Agric Value chain, Cottage industries, Artisans, renewable energy etc.
PFIs	DMBs, MFBs
Setbacks	Collateral requirements for start-ups, banks are not comfortable with on-lending to start-up agribusinesses, insufficient technical assistance structure to support the beneficiaries by the banks

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Anchor Borrowers' Programme (ABP)

Purpose	Guaranteed market for agricultural produce linking small holder farmers and processors of key agricultural commodities/ anchors
Funding	The fund is sourced from the N220 billion MSMEDF.
Target	Small holder farmers (SHFs)
PFIs	NIRSAL, DMBs, DFIs, MFBs
Activities	N55 billion disbursed to more than 250,000 farmers within two years of implementation
Setbacks	Side-selling by farmers, inadequate monitoring capacity, presence of political and ghost farmers leading to loan delinquency

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Real Sector Support Facility (RSSF)

Purpose	Increasing credit to priority sectors of the economy with sufficient employment capabilities and high growth potentials.
Funding	N300 Billion
Target	Manufacturing, Agricultural Value Chain (non-primary production) and Services
PFIs	DMBs
Activities	Cumulatively, 10 projects valued at N30.58 billion financed under the initiative from inception to end-June 2017
Setbacks	Uptake of the funds has been limited due to the collateral expected to be provided by the Banks

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14

Agricultural Small And Medium Enterprises Investment Scheme (AGSMEIS)

Purpose	Approved by the Bankers' committee to support the FG's effort of promoting Agricultural businesses
Funding	5% of annual PAT of all DMBs is set aside for equity investment.
Target	Small and medium scale agro enterprises in production, storage, processing and logistics
PFIs	DMBs
Activities	About **N26Bn** mobilized for investments as at December 2017. Disbursements to the first set of beneficiaries commenced in Abuja in April 2018

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Accelerated Agricultural Development Scheme (AADS)

- ✓ Aim: Engaging unemployed youths between the ages of 18 and 35.
- ✓ A minimum of 10,000 youth interested in engaging in sustainable and profitable activities along the agriculture value chain in each State, to be employed and trained.
- ✓ CBN will provide financing at single digit interest rates and State Governors are expected to provide contiguous/adjoining arable land, efficient extension services, training, basic infrastructure, and mentorship for the beneficiaries.
- ✓ Beneficiaries are not expected to come up with any physical collateral but they must be grouped into formally registered cooperatives and cross-guarantee each other.

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16

Non-oil Export Stimulation Facility (NESF)

NEXIM
NIGERIAN EXPORT-IMPORT BANK

Purpose	To diversify the economy and expedite the growth and development of the non-oil export sector
Funding	N500 billion debenture issued by Nigerian Export-Import Bank (NEXIM)
Target	Resuscitation, expansion, modernization and technology upgrade of non-oil exports industries, export of commodities, Stocking Facility and Working capital.
PFIs	DMBs, DFIs
Activities	Established in 2016. Implementation commenced in March 2018

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18

Development Bank of Nigeria (DBN)

- ✓ Objective: Alleviate financing constraints faced by the Micro, Small and Medium Enterprises (MSMEs) and small Corporates in Nigeria
- ✓ Modalities: Wholesale term funding and risk-sharing facilities to PFIs & eligible retail intermediaries e.g. commercial banks, microfinance banks, existing retail DFIs and leasing companies) for on-lending to MSMEs.
- ✓ Activities: Commenced operation in March, 2017; lend about N5 billion, long term loan to over 20,000 Micro, Small and Medium Enterprises (MSMEs) through PFIs including Fortis, LAPO and NPF MFBs

DBN Development Bank of Nigeria

Conceived by the Federal Government of Nigeria (FGN) in collaboration with the following global development partners:

- World Bank (WB)
- African Development Bank (AfDB)
- KfW Development Bank
- European Investment Bank (EIB)
- French Agency for Development (AFD)

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19

Bank of Agriculture

- ✓ Micro Loan Schemes: Provides credit to finance micro agriculture (Arable/Field crops, tree crops, fish farming, agro-processors, livestock farming etc.
- ✓ SME/Agribusiness Loans Scheme: For financing small and large scale agribusiness projects across the Agricultural Value chain.

B O A BANK of AGRICULTURE

Government owned:
CBN 40%
Federal Ministry of Finance 60%.

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20

Bank of Industry

- ✓ Agro Mechanisation
- ✓ Cottage Agro Processing Fund
- ✓ Fish Farming and Processing
- ✓ Leather and Footwear
- ✓ Meat Production and Processing
- ✓ Implementing bank for FGN's:
    - Rice & Cassava Intervention Fund
    - Sugar Development Council Fund
    - National Program on Food Security (NPFS)
    - Federal Department of Agriculture (FDA) Cottage Fund

Agribusiness exposure as at 2016: N2.8Bn

BANK OF INDUSTRY

94.79% owned by Ministry of Finance Incorporated (MOFI), 5.21% by CBN and 0.01% by Private Shareholders

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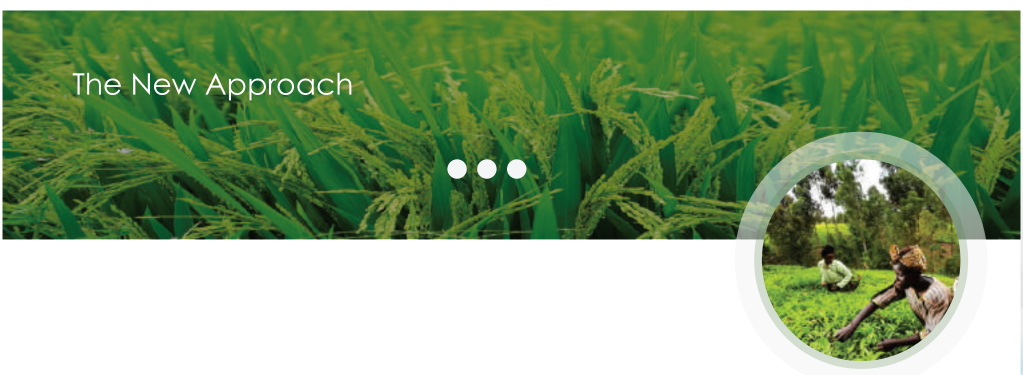
21



The New Approach

CBN's New Approach

- **Based on the lessons learned, CBN included a new institutionalized approach to Agricultural sector financing that:**
  - Focuses on Risk-Sharing mechanism (Guarantees) rather than direct credit/funds placement with banks
  - Uses incentives and penalties to shape the behavior of players within the financial system.
  - Fixes broken value chains by providing technical support, etc.

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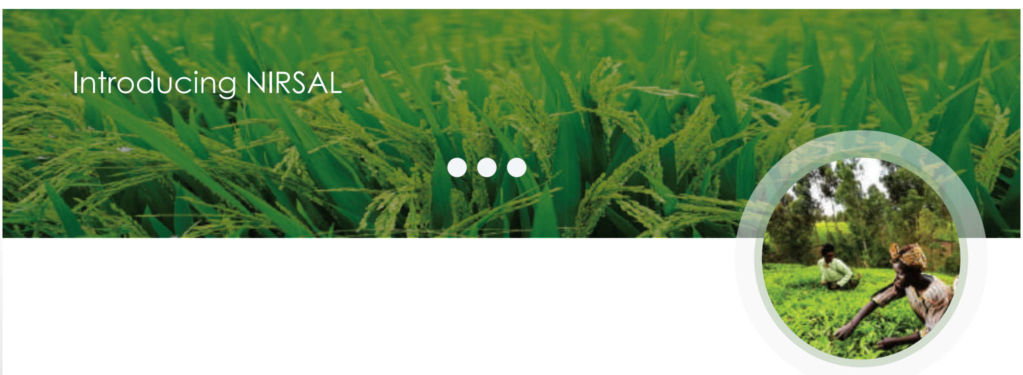
23

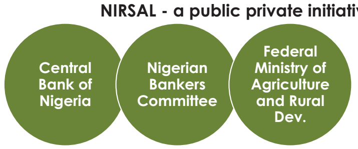


Introducing NIRSAL

The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL Plc)

- ✓ A US$500million Non-Bank Financial Institution, designed to appropriately Identify, Define, Measure, Price and Share agribusiness related credit risk
- ✓ Incorporated in 2013 as a public liability company (Plc), wholly owned by the Central Bank of Nigeria (CBN)
- ✓ Operates as an autonomous private sector institution with a corporate governance structure that is independent of the CBN.

NIRSAL - a public private initiative



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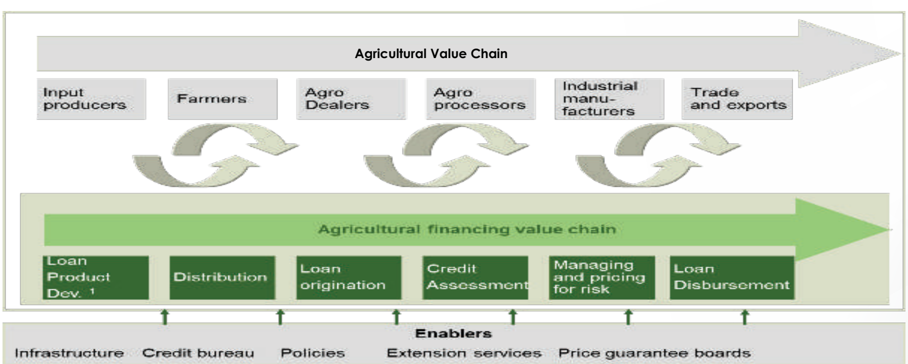
25

NIRSAL Mandate

NIRSAL integrates the end-to-end agricultural value chain with the financing value chain



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26

NIRSAL Mandate

- Collaborate with stakeholders to fix the broken agricultural value chains to de-risk agricultural lending
- Mobilize financing for Nigerian agribusiness by using credit guarantees to address the risk of default
- Provide a flexible financing tool designed to change the behavior of financial institutions
- Provide Technical assistance to all participants in the Agricultural value chains as well as financial institutions
- Reduce cost of borrowing and grow the agribusiness share of total bank lending portfolio to about 7%

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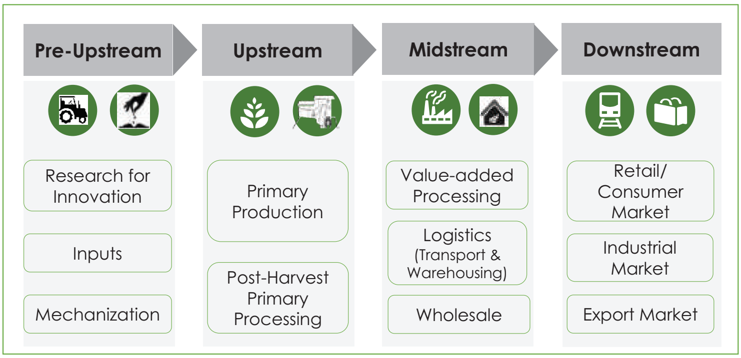
27

NIRSAL's Approach to Agribusiness Finance

NIRSAL's Value Chain Approach

NIRSAL is committed to horizontal and vertical Integration across agricultural value chains



29

NIRSAL's Approach to Agribusiness Finance

- Disaggregate the agribusiness value chain into its vertical and horizontal components
- Collaborate with stakeholders to de-risk value chain components
- Deploy financing frameworks specific to the needs of the components
- Ensure end-to-end visibility of: Finance, Value Addition and Value Capture

30

Pre-Upstream: Business Model & Financing Framework

Mechanization Finance

Loan Type	Term loan (capital equipment)
Loan Duration	24 to 48 months
Loan Purpose	To finance the purchase of tractors and related equipment
Average individual loan size and CRG cover	75% CRG cover for a Small and Medium scale mechanization services provider subject to maximum loan limit of N50 million per borrower
	50% CRG cover for a large scale mechanization service provider subject to maximum loan limit of N2 billion per borrower
Interest Drawback	40% for a Small and Medium scale mechanization services provider
	20 % for a Large Scale mechanization services provider

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31

Pre-Upstream: Business Model & Financing Framework

Fertilizer Finance

Borrower Definition	Super Agro-dealers duly accredited by Fertilizer Suppliers and approved by NIRSAL either directly serving farmers in Nigeria or through their sub dealers
Facility Type	Trade finance facility
Tenor	12 months
Purpose	To augment Working Capital requirements
Maximum individual loan size and CRG cover	75% Credit Risk Guarantee subject to a maximum loan limit of N1billion or to be advised by NIRSAL
Interest Draw Back/ Subsidy	Borrower shall be granted a 20% subsidy on interest paid

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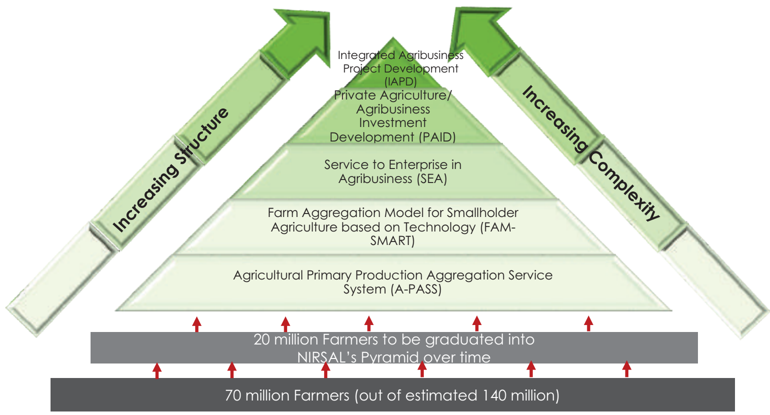
32

Upstream Interventions and Programs

NIRSAL'S PRIMARY PRODUCTION INTERVENTION PYRAMID
CONTROLLED FACTOR AGRICULTURE



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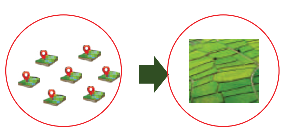
33

Upstream Interventions and Programs

Agricultural Primary Production Aggregation Service System (A-PASS)

- Mapping of endemic production areas
- 50ha contiguous land - Agro Geo-Cooperative Cells
- 250ha Agro Geo-Cooperatives
- 10,000ha Agro Geo-Clusters (large, medium, mini)



How we achieve
(Aggregation Routes)

- NIRSAL Field Staff
- Anchors
- Freelance Aggregators

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34

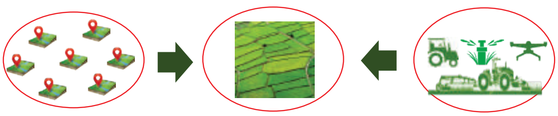
Upstream Interventions and Programs

Farm Aggregation Model for Smallholder Agriculture based on Technology (FAM-SMART)

- Minimum 250 hectares
- Centralized and controlled inputs
- Fully mechanized and controlled environment
- Co-funding and profit sharing by NIRSAL, Input Suppliers and Farm Owners
- SCAGRIC as Operating Partner
- Project Partners include: TENETEN (Mechanization), SYNGENTA (Seeds), OCP Africa (CPPs) and AFEX (Offtake)

How we achieve
(Aggregation Routes)

- NIRSAL Field staff
- Private entities and Universities
- State Governments



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35

Upstream Interventions and Programs

Service to Enterprise in Agribusiness (SEA)

Target: Civil Servants planning for retirement to agriculture

- Land provision by Subnational Governments and MDAs and production by civil servants
- Training, supervision and value chain integration by NIRSAL
- Funding facilitated and guaranteed by NIRSAL

Private Agriculture Agribusiness Investment Development (PAID)

Target: Owners of idle arable land and Brownfield projects

- Land release as equity contribution in return for share of profit
- Outsourced farm management
- Finance and investments facilitated and guaranteed by NIRSAL

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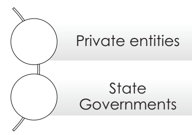
36

Upstream Interventions and Programs

Integrated Agribusiness Project Development (IAPD)

How we achieve
(Aggregation Routes)



- 10,000 Hectares production area per Commodity Value Chain across 6 geo-political zones
- First IAPD Pilot site secured in Oyo State for Maize and Soybean - 10,375 Ha

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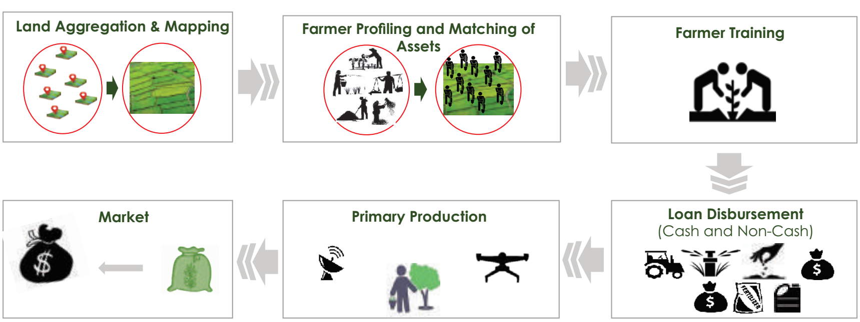
37

Upstream Interventions and Programs

The Anchor Borrower Program (ABP)



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38

Midstream Interventions and Programs

1 VALUE ADDED PROCESSING	2 LOGISTICS	3 WHOLESALE
o Flour Mills o Grand Cereals o Olam o Markpoint o Golden Agri o Meat Processors	• FFV Cold storage pilot project • Lagos FFV Crate & Trucks Project • Haulage Study	o Grain financing frameworks for produce agrodealers

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39

Midstream Business Model & Financing Framework

Grains Finance

Borrower Definition	Enhanced Small Holder Farmers with 1-5ha (E-SHF) and > 10ha land holdings (FAM-SMART) in Nigeria under NIRSAL's aggregation model.
Facility Type	Term loan
Tenor	Nine (9) months bullet payment (principal and interest) with an option of early liquidation without penalty.
Purpose	To facilitate finance for the supply of inputs and services for primary production of key crops to the Enhanced Small Holder Farmers.
Maximum individual loan size and CRG cover	N850,000 for the E-SHF under aggregators and above N 1,700,000 for aggregated farmlands under NIRSAL's FAM-SMART model depending on the overall size of the aggregated contiguous farmland. Credit Risk Guarantee of NIRSAL Plc covering 75% of approved facility plus accrued interest per borrower
Interest Draw Back	40% on interest paid.

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40

Downstream Interventions and Programs

Market Development Interventions

1 RETAIL/CONSUMER Markets

- Analysis of **10 Commodity Markets** with a view to integrating back to primary production - Dawanau, Saminaka, Kado, Bokkos, Mubi, Daleko, Lokpa, etc.
- Market fix strategy development to commence
- Leverage on **USAID Markets II** results

2 INDUSTRIAL Markets

- Offtake agreements on A-PASS, FAM-SMART, SEA and PAID models
- Out-grower Scheme discussions on CRG projects for backward Integration
- Grand Cereal, NB, OLAM, Markpoint, etc.

3 EXPORT Markets

- Export Finance Frameworks for Primary Production, Logistics and Trade Finance
- Engagements with NEXIM, NEPC, FACAN, etc.

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41

Individual Agribusiness Enterprises

Borrower Definition	Stand-alone enterprises in Arable, Tree Crops, Livestock, Poultry & Aquaculture primary production, processing and trade
Facility Type	Term loan
Tenor	Subject to appropriate gestation of the enterprise
Purpose	Financing for Working capital requirements and acquisition of relevant fixed assets, maintenance of existing investments, capacity expansion etc.
Maximum individual loan size and CRG cover	• Determined by enterprise funding need • N2billion (max) per obligor • CRG cover range of 30% to 75%
Interest Draw Back	40% on interest paid.

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42

NIRSAL's Agribusiness Finance Collaborations

- N50Bn direct agricultural finance scheme
- NIRSAL as PFI for SHF primary production under the ABP
- Collateral support for wholesale lending to PFIs and SMEs
- N20BN direct agricultural finance scheme
- Export finance under ESF

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43

NIRSAL's Partnerships and Collaborations

Local

International

MAMDA & MAMDA RE

RIELA (Germany)

NIRSAL

44

NIRSAL's Strides

- Risk Sharing Fund: 645 transactions; Value of financing facilitated: NGN74.3Bn; Paid out N981m in Interest Draw Back Incentive
- Insurance: Introduced Index-based insurance, involving consortium of 4 Insurance Companies (24,666 farmers, 20,000+ hectares and value insured: N5.4Bn)
- Technical Assistance: 201,000 farmers trained in GAP; 184 Bankers trained in AVC Finance
- Fund Mobilized: N35bn from 2 Banks
- Counterparties: 18 DMBs, 1 PE and 1 MFB
- ABP Activities: 33,712 Farmers and 29,561ha. (arable crops) financed through 13 Channel Partner Banks

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45

Roles of Micro Finance Banks in Reaching the Last Inch of the Last Mile in Agribusiness Finance

Roles of Micro Finance Banks in Reaching the Last Inch of the Last Mile in Agribusiness Finance

Financial Identity
- BVN generation
- Account creation

Deposit Mobilization
- Personal Savings/Administration of compulsory savings for Program Farmers
- Collection of sales proceeds from off-takers
- Group contributions and thrifts

Credit Distribution
- Credit disbursement in kind - agric inputs & services
- Cash disbursements- cash out

Loan Administration
- Credit documentation
- Credit Monitoring
- Remediation
- Loan work-out

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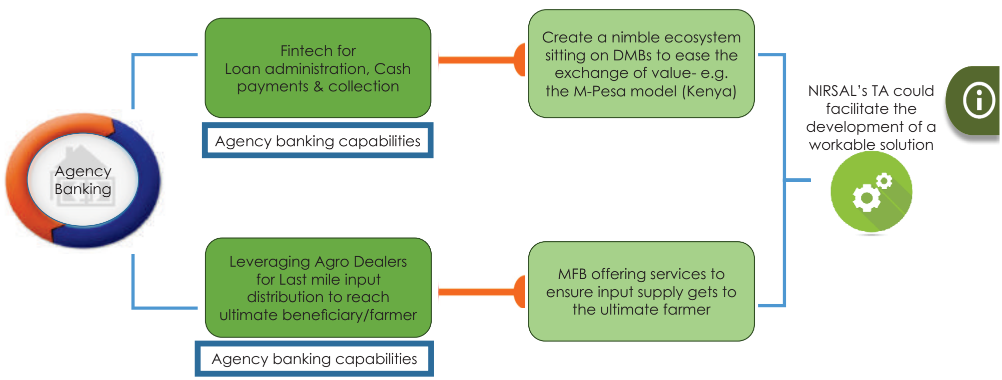
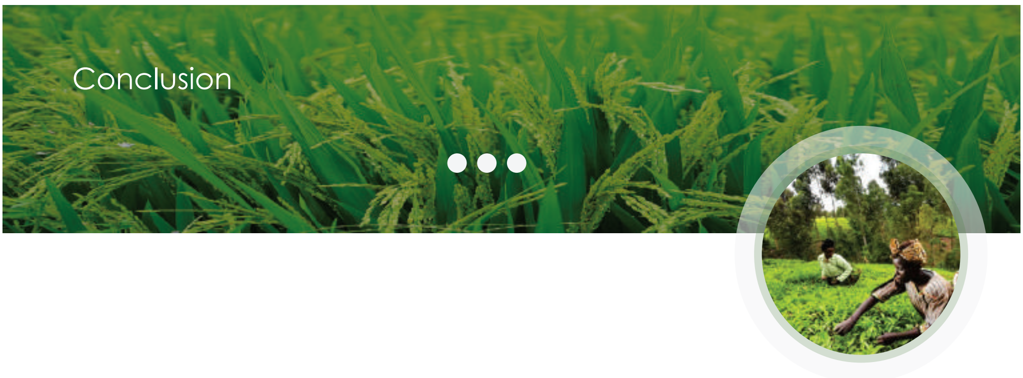
47

NIRSAL's CHALLENGE TO MFB/MFIs



NIRSAL

48



Conclusion

- ✓ Existing agribusiness financing interventions have had limited success in stimulating sustainable engagement between agribusiness and finance.
- ✓ Driving agribusiness finance at a pace that will engender agriculture-led economic diversification and growth would require:
  - Massive investment in infrastructure- rural roads, dams and irrigation, storage and market.
  - Supportive legal and regulatory framework (54 Acts and 50 Bills on agriculture pending at NASS for reforms).
  - Long term commitment by all stakeholders:
    - ✓Agribusiness: Adoption of Good Agric Practices/Good Manufacturing Practices/Fair Trade.
    - ✓Financial Institutions: Paradigm shift and a pioneering spirit to conquer the Agric frontier.
    - ✓Government: Stable policy environment devoid of political expediencies.

NIRSAL

50


Thank you
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Photo Gallery

Registration at the secretariat of the symposium

Small holder farmers displaying their produce at the symposium

Dr Godwin Ehigiamusoe, Mr. Guillaume Valence and Mr. David Adelana chatting at the symposium

Participants fully engaged at the symposium

Team of BAA Consult (Rapporteur for the symposium) and the members of the communique team

Cross section of participants and officials at the symposium

Networking at the symposium

Mr. Hans-Joachim Maurer and participants checking farm produce at the symposium

Cross section of delegates from NIRSAL

Mr. Hans-Joachim Maurer and Mr. Ekpo Bassey-Duke at the symposium

Group photograph of participants

AFOS and MLDC team at the symposium

Mr Bernhard Vester with participants

Mrs Ogunnaike, Mr David Adelana, Mr Aminul Bhuiya and Mr Tony Fosu at the symposium

Mr Joshua Etopidiok presenting an award to Mr Rogers Nwoke MD, Hasal MFB

Mr Joshua Etopidiok presenting an award to Mr Akinwumi Lawal MD, NPF MFB

Mr. Ekpo Bassey-Duke presenting an award to Mr. Osha Assistant Director Development Finance Department, CBN

Mr Tony Fosu- Sinapi Aba Savings and Loans(Ghana) and Mr Aminul Bhuiya- MD Asha MfB

Dr Kenneth Achu with participants

Participants making enquiries at an exhibition desk during the symposium

Mr Akinwumi Lawal, Mr Rogers Nwoke, Dr Biodun Adedipe and Mr Tunde Omolere during the panel discussion

Members of the organising team- Ladi Akoni, Tunji Afolabi, Fatima Olajumoke, Oye Oladejo, Taiwo Oni, Kunle Shittu, Mary Samuel-Ipaye, Margaret Shoyemi, Peter Olamiriki and Omolola Oke.

Dr. Godwin Ehigiamusoe giving the vote of thanks on behlaf of the Nigerian Microfinance Platform

Exhibition tables at the symposium

Farm produce displayed at the symposium

Group Photograph at the symposium

Organisations engaging participants at exhibition tables

Participants making enquiries at an exhibition desk during the symposium

Participants receiving registration packs at the symposium

Some officials on the high table at the symposium

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