



THE NIGERIA INCENTIVE-BASED
RISK SHARING SYSTEM FOR AGRICULTURAL LENDING

De-Risking Agriculture ■ Facilitating Agribusiness

A photograph of a corn cob on the stalk, surrounded by green leaves. The image is partially obscured by a diagonal green bar and white lines that run from the top left towards the bottom right. The text "CREDIT RISK GUARANTEE" is overlaid on the bottom right of the image.

**CREDIT RISK
GUARANTEE**

NIRSAL FIVE PILLARS



Risk-sharing (USD 300 Million): This pillar addresses banks' perception of high-risks in the sector by sharing credit risks and losses with providers of finance and investments (up to 75% of loss incurred).



Insurance (USD 30 Million): This pillar's primary goal is to expand insurance coverage for agriculture by developing new innovative insurance products beyond indemnity-based insurance to include weather index, area yield index, new variants of pest and disease insurance, etc.



Technical Assistance (USD 60 Million): This pillar is focused on building the capacity of financial institutions and agricultural value chain players for improved performance. It is also focused on interventions to fix broken agricultural value chains.



Rating Mechanism (USD 10 Million): This pillar rates lenders and agricultural value chain actors based on their effectiveness and social impact.



Bank Incentives Mechanism (USD 100 Million): This pillar is aimed at rewarding value-added performance by agricultural value chain actors, financiers and investors.

CREDIT RISK GUARANTEE (CRG)

The NIRSAL Credit Risk Guarantee (CRG) is an instrument issued to protect financiers and investors from possible losses in a finance/credit transaction through a risk-sharing agreement under which NIRSAL Plc indemnifies the lender or investor of the Principal and accrued Interest to the limit of a pre-agreed CRG rate. The offer of the NIRSAL CRG serves as a comfort to financiers and investors, encouraging them to lend to the agribusiness.

The NIRSAL CRG secures agribusiness loans against losses over the life of the underlying credit contract between financiers and actors

across all segments of the agricultural value chain. It covers credit in the form of term loans, and/or debt instruments such as short, medium, and long-term notes, excluding overdrafts except those with a defined tenor (e.g advances).

The NIRSAL CRG also covers the credit risk of default on loan principal and the accrued interest. It is purchased at 1% CRG fee (upfront payment) of the loan value and subsequent outstanding balances of the loan annually, including 1% PMRO fee for transactions without a warehousing arrangement.

Benefits of CRG

- Encourages the flow of finance and investment into agriculture.
- Ensures the reduction of risk for the investor, financial institution or Counterparty.
- Aids in fixing broken links in the Agricultural Value Chains (AVC).
- Increases lending to Agriculture, thereby enabling the sector to contribute to Nigeria's GDP and diversify the economy.
- Facilitates access to Interest Drawback (IDB) support for borrowers.

CRG OBLIGOR LIMITS

Category	Single Obligor Limit (NGN)	CRG Cover
Smallholder Farmers and Farmer Groups	5 Million	75% of the loan
Cooperatives	50 Million	75% of the loan
Large Scale Primary Producers	2 Billion	50% of the loan
Mechanization	50 Million	75% of the loan
Large Scale Mechanization	2 Billion	50% of the loan
Processors	2 Billion	50% of the loan
Integrated Farms	2 Billion	30% of the loan
Logistics Providers	2 Billion	30% of the loan
Agro dealers, Input and Equipment Suppliers	2 Billion	30% of the loan



INTEREST DRAWBACK (IDB)

The IDB is an interest rate support scheme that NIRSAL Plc offers to borrowers, who are in good standing with timely repayment of loans, as an incentive to reduce the burden of interest payments.

Features and Benefits of IDB

- The funds for the IDB are provided by the Central Bank of Nigeria (CBN).
- Every guaranteed loan qualifies, in principle, for IDB consideration. However, NIRSAL reserves the right to determine who receives its IDB support.
- The IDB is paid every 90 days (per quarter) within the life of the loan (or at the end of facility tenure for bullet repayment), provided the borrower is in good standing **(i.e all principal and interest payments are up to date, per the original or amended payback schedule agreed upon between NIRSAL Plc, lender and borrower).**
- IDB stops upon default, till all past obligations are remedied.
- The IDB provides relief on interest paid by obligors, thus reducing the effect of borrowing at commercial rates.
- It increases profit margins for agribusinesses and induces timely repayment of loans, thereby reducing loan default/crystallization.

To Qualify for NIRSAL's IDB:

The borrower must be in good standing, i.e. the obligor must have repaid the loan (principal and interest obligation) within the agreed period in line with the amortization/repayment schedule and term sheet provided by the Counterparty.

IDB Request Process

NIRSAL receives IDB payment requests from the Financial Institutions/Counterparties. The documents required include:

- Obligor's current account statement
- Obligor's Loan statement.
- Amortization (repayment) schedule.

Payments are made to borrowers by NIRSAL upon review and approval of requests.

THE INTEREST DRAW BACK PAYABLE TO BORROWERS WILL BE AS FOLLOWS:

CATEGORY	SINGLE OBLIGOR LIMIT (NGN)	CRG COVER	IDP PAYABLE ON FACE VALUE OF LOAN
Smallholder Farmers, Farmer Groups (Livestock, Poultry, Aquaculture and Single or Mixed Cropping)	5 Million	75% of the Loan	40%
Cooperatives	50 Million	75% of the Loan	40%
Large Scale Primary Producers: (Livestock, Poultry, Aquaculture and Single or Mixed Cropping:	50 Million	50% of the Loan	20%
Mechanization	50 Million	75% of the Loan	40%
Large Scale Mechanization	2 Billion	50% of the Loan	20%
Processors	2 Billion	30% of the Loan	20%
Integrated Farms	2 Billion	30% of the Loan	20%
Logistics Providers	2 Billion	30% of the Loan	20%
Agro-dealers, Input and Equipment Suppliers	2 Billion	30% of the Loan	20%



TESTIMONIALS

“ In 2005, we had a plan on what to achieve in the next five years. We thought of backward integration but eventually settled for forward integration which meant we had to process cocoa beans. So, we started and completed a cocoa processing plant in 2012. With the completion of the factory, the requirement for working capital became huge. We met NIRSAL who guaranteed 50% of the loan we collected; an intervention that has helped us meet our customer’s requirement in terms of quality and sustainability. As a result, also, we increased our farmers from 4,000 to 17,000. ”

KUNLE AYOADE

Managing Director, AGRO Traders Limited Akure, Ondo state

“ The loans we usually take from our banks had never been up to 500 million Naira in over 20 years of operation, but with the NIRSAL’s Credit Risk Guarantee, we have been able to access about 1.5 billion Naira. So far, we have executed over 90% repayment. The CRG affords my company 75% guarantee on the loan we get from the banks while we provide 25% equity contribution. ”

TUNDE ALIU

Accountant Hulhulde, Zaira, Kaduna state.

NIRSAL CRG PROCESS





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For more information about the Credit Risk Guarantee (CRG),
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