



**THE NIGERIA INCENTIVE-BASED
RISK SHARING SYSTEM FOR AGRICULTURAL LENDING**

De-Risking Agriculture ■ Facilitating Agribusiness

**CORPORATE
PROFILE**

WHO WE ARE

The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL Plc.) is a US\$500Million Non-Bank Financial Institution and a wholly-owned corporation of the Central Bank of Nigeria (CBN). It is designed to Redefine, Dimension, Measure, Re-Price and Share agribusiness-related credit risk with financiers and investors.

NIRSAL was created to stimulate the flow of affordable finance and investments into the agricultural sector by de-risking the agribusiness finance value chain, fixing agricultural value chains, building long-term capacity, and institutionalising incentives for agricultural lending through its five (5) strategic pillars namely: Risk Sharing, Insurance, Technical Assistance, Incentives and Rating.

WHAT WE DO

NIRSAL specialises in Agribusiness project development, Finance facilitation and Agricultural risk management. We optimise agriculture and agribusiness, integrate agricultural value chains, facilitate finance & investments and manage agricultural risks through innovative models and self-originated Tools, Techniques, Methodologies and Partnerships (TTM&Ps).



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.



OUR SERVICES

1. CREDIT RISK GUARANTEE (CRG)

The NIRSAL Credit Risk Guarantee (CRG) is the core service provided by NIRSAL. The CRG is an instrument issued to protect financiers and investors from possible losses in a finance/credit transaction through a risk-sharing arrangement under which NIRSAL indemnifies the lender or investor of the principal and accrued interest to the limit of a pre-agreed CRG rate.

Features and Benefits of the NIRSAL CRG

- The NIRSAL CRG covers credit in the form of term loans, and debt instruments such as short, medium, and long-term notes including the risk of defaulting on loan principal and accrued interest.
- The purchase of a CRG from NIRSAL requires the upfront payment of a guarantee fee of 1% on the loan value and subsequent outstanding balances of the loan, credit line, bond issue or related instruments, annually.
- CRG cover ranges from 30%-75% depending on the borrower's agricultural value chain (AVC) segment.
- The NIRSAL CRG covers the Pre-Upstream, Upstream, Midstream and Downstream segments of the AVC.
- It encourages the flow of finance and investment into agriculture and ensures the reduction of risk for the investor, financial institution or counterparty.

QUALIFICATION FOR THE CRG

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

NIRSAL CRG PROCESS



2. NIRSAL INTEREST DRAWBACK SCHEME (IDB)

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

Features and Benefits of IDB

- Every NIRSAL CRG-backed loan qualifies, in principle, for IDB consideration. However, NIRSAL Plc reserves the right to determine who receives its IDB support.
- It is an incentive to reduce the burden of interest payment and encourage timely repayment of loans.
- IDB is paid every 90 days (per quarter) within the life of the loan, provided the borrower is in good standing (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 covers up to 40% of interest paid on NIRSAL CRG-backed agribusiness loans.
- IDB stops upon default, till all past obligations are remedied.

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

CATEGORY	SINGLE OBLIGOR LIMIT (NGN)	CRG COVER	IDB 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:	2 Billion	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	50% 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%

3. NIRNAL AGRIBUSINESS MODELING SERVICE

In response to identified gaps, NIRNAL Plc applies its expertise into the development of bespoke, optimised and sustainable Agribusiness models for agricultural value chains and value chain segments.

- NIRNAL Agribusiness models leverage market dynamics and technology to guarantee value chain optimization, cash flow stability and financial return maximization to key actors, particularly the smallholder farmers.
- Each Agribusiness model aims to drive the flow of finance and investments into de-risked agricultural value chains, optimise agricultural value chains for increased productivity & profitability and promote private sector-led enterprises within the country's agribusiness sector.
- The NIRNAL Agribusiness models aim to fix breakages in links along the AVC, thereby ensuring a more risk-free agribusiness investment environment.

SOME OF NIRNAL'S AGRIBUSINESS MODELS INCLUDE THE FOLLOWING:

i. INCLUSIVE INTEGRATED PRIVATE AGRICULTURE/ AGRIBUSINESS INVESTMENT DEVELOPMENT (iPAID)

iPAID model was developed to realize and maximize massive potentials locked up within and across Nigerian Agricultural Value Chains by facilitating baseline, midline and topline private sector Investments into core commodity value chain opportunities as well as cross-cutting agricultural infrastructure services.

NIRNAL iPAID ensures efficient linkage to final markets - Domestic Consumer, Domestic Industrial and Export markets.

ii. SERVICE TO ENTERPRISE IN AGRIBUSINESS (SEA)

The SEA model allows NIRNAL, in partnership with State Governments and public institutions, to secure agricultural land assets and prepare public servants for life after retirement through training, finance facilitation and market linkage for agricultural primary production investments.

Participants that qualify for SEA include:

- All Government Employees in active service with five years or more to retirement including those whose monthly repayment on loan shall not exceed 33.33% of monthly salary after all other outstanding loan obligations have been taken into account.
- Only participants that have undergone training and have been issued with certificates will be selected for participation.



iii. PRIMARY PRODUCTION, HARVEST, PRIMARY PROCESSING, PRIMARY TRANSPORTATION AND PRIMARY STORAGE SYSTEM (PHP3)

This model is aimed at facilitating the introduction of technologies for optimized primary production, harvesting, primary processing, primary transportation and primary storage of agricultural commodities on a fee -for -service business arrangement.

iv. NIRSAL CLIMATE-SMART IRRIGATION FOR OPTIMIZED SMALLHOLDER AGRICULTURAL PRODUCTION (NCIS)

This business model is aimed at ensuring the provision of scalable solar power irrigation technology to ensure all year round primary production of agricultural commodities by smallholder farmers on aggregated hectares of land.

v. NIRSAL AGRO GEO-COOPERATIVE® (AGC)

The Agro Geo-Cooperative® model is NIRSAL's endeavour to structure farmers and farmlands to attain the right economic scale for increased yield through the adoption of modern technologies. Its primary objectives are to de-risk primary production and enable farmers to have access to sustainable finance and structured markets.

AGRO GEO-COOPERATIVE® CLASSIFICATION

UNITS	HECTARAGE	NUMBER OF UNITS
Cell	10	Maximum of 10 ha of contiguous land
Block	50	Maximum of 50ha, it may consist of 5 blocks that are 50km apart
Agro Geo Cooperative®	250	Minimum of 250ha, it may consist of 2 to 5 blocks 50km apart
Emerging Micro Agro Cluster	251-500	Minimum of 1 and maximum of 2 agro geo cooperatives
Micro Agro Cluster	501-2,500	Minimum of 2 and maximum of 10 agro geo cooperatives
Small Agro Cluster	2,501-5,000	Minimum of 10 and maximum of 20 agro geo cooperatives
Medium Agro Cluster	5,001-7,500	Minimum of 20 and maximum of 30 agro geo cooperatives
Large Agro Cluster	7,501-10,000	Minimum of 30 and maximum of 40 agro geo cooperatives
Mega Agro Cluster	10,001-20,000	Minimum of 40 and maximum of 80 agro geo cooperatives
Super Mega Agro Cluster	>20,000	Minimum of 80 agro geo cooperatives and above

WHO QUALIFIES FOR THE AGC?

Community Leaders

Individuals

Enterprises

Corporate Bodies

Graduates

Youths

N-POWER Beneficiaries

Active/Retired Extension Workers, Leaders and Farmers under previous and existing donor-funded programs such as

- The ADP Programme
- World Bank FADAMA Programme
- USAID MARKETS Programme
- IFAD Value Chain Development Programme
- The World Bank Climate Adaptation and Business Support Programme
- AfDB Agric Programmes
- DFID's Propcom Maikarfi Programme
- The SASSAKAWA Global 2000 Programme

Other farmers that meet NIRSAL Plc's eligibility requirement and who are domiciled in or have access to their communities and farmers.



NIRSAL AGC PROCESS



4. NIRSAL FINANCING FRAMEWORKS

NIRSAL Plc's financing frameworks address working capital constraints associated with specific segments of agricultural value chains and facilitate finance to transactions that fulfil the terms of underlying agribusiness models that are pre-agreed between NIRSAL and financial institutions under the NIRSAL CRG.

NIRSAL's financing frameworks provide a de-risked financing arrangement for the flow of funds from financiers and investors to target agricultural value chain actors under clear transaction dynamics.

The carefully identified financing gaps within agricultural value chain segments provide useful information for potential investors in making investment decisions and facilitates the development of business proposals for projects.

NIRSAL collaborates with financial institutions for the joint development of financing products and instruments. The following are some financing frameworks that NIRSAL operates with: Fertilizer, Mechanization, Grains, Fresh Fruit & Vegetable (FFV), Livestock, Cotton, Grains, Cassava, Cocoa, Poultry and Agro Geo-Cooperative (AGC) financing frameworks.



5. NIRSAL INNOVATIVE INDEX-BASED INSURANCE PRODUCT DEVELOPMENT

NIRSAL Plc's Innovative Insurance Service is a tool deployed to manage and mitigate a wide range of risks faced by farmers in Nigeria. Before NIRSAL's insurance solutions, agricultural insurance in Nigeria was simply indemnity-based providing compensation equivalent to farmers' cost of production in verified incidences of physical disasters only.

Farmers now have a chance to choose agricultural insurance that truly compensates them in the event of losses arising from pests, weather, diseases, etc. leveraging NIRSAL's index-based insurance products including the following:

NIRSAL Area Yield Index Insurance (AYII):

Covers the smallholder farmer on his/her expected yield based on the historical data of yield in the Agro-Ecological Zone.

NIRSAL Comprehensive Index Insurance (NCII):

An improvement on AYII. It includes a combination of Yield Index, Life Insurance and Funeral cost for the Smallholder farmer.

Hybrid MPCI - Index Insurance (HM-II) product:

A product born out of the need to fix the issues discovered in index insurance. It is a combination of the traditional indemnity insurance and the new index-based insurance which covers multiple perils on the field and uses both weather index triggers and physical inspection to determine loss.

This set of innovative products provides compensation to farmers based on expected yield/revenue instead of the cost incurred. The expected yield/revenue is indexed against the total average and losses due to unforeseen circumstances like poor weather, price fluctuations, et cetera.

The development of NIRSAL innovative insurance products has led to an increase in the flow of finance to agribusiness and increased protection against risks for farmers.

6. COMPREHENSIVE FIELD MONITORING

NIRSAL Plc provides comprehensive project monitoring services using structured processes and technologies through its Remote Sensing systems via satellite-based multi-spectral imaging and UAS-based drone monitoring; and its Project Monitoring, Reporting and Remediation Offices (PMRO) located in all 36 states of the federation and the FCT.

The NIRSAL Plc field monitoring service assesses NIRSAL-facilitated or financed projects through:

- a. **Implementation Monitoring** which involves tracking inputs (resources and strategies), activities (tasks undertaken to transform inputs to outputs) and outputs (the products or services produced). This approach is often designed to assess compliance with work plans and focuses on monitoring how well a project is being implemented.
- b. **Results-based Monitoring:** is a continuous process of collecting and analyzing information to compare how a project is performing against expected results. It involves assessment and evaluation of immediate outputs, intermediate outcomes and long-term widespread impact on value chain actors, the society and economy.

NIRSAL's comprehensive field monitoring serves as a management information system and decision support tool for field communication and agricultural project management in allocating resources, reviewing set goals and budgets, identifying challenges and taking prompt remedial actions as applicable. It provides an early warning system to ensure effective risk management for project success and guaranteed returns on investment.

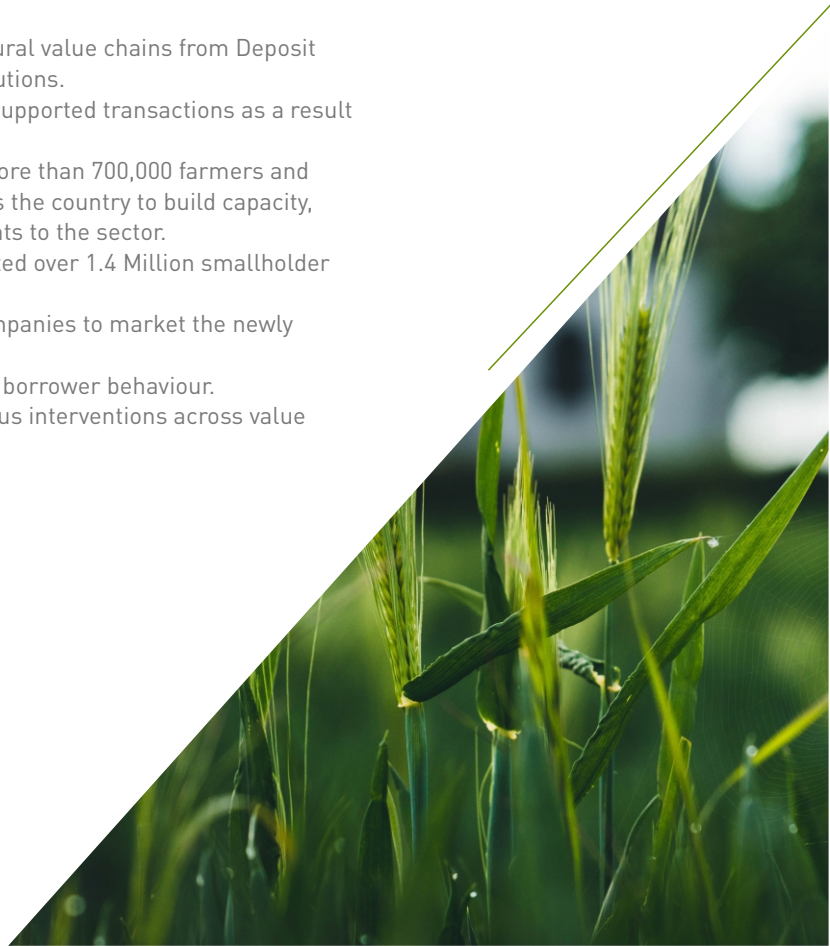


ACHIEVEMENTS

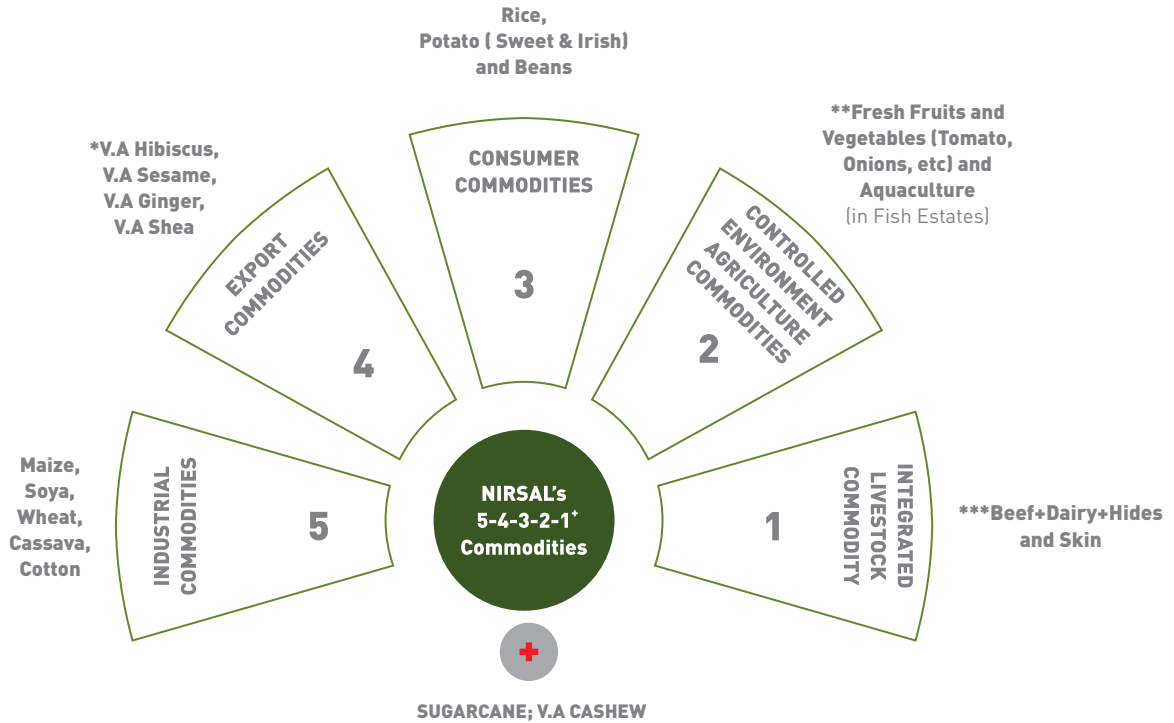
As at Q3 2020, NIRSAL has:

- Facilitated the sum of NGN145 billion into various agricultural value chains from Deposit Money Banks, the Capital Market and other financial institutions.
- Maintained a less than 1% risk crystallization rate, on its supported transactions as a result of rigorous prudence.
- Provided training and facilitated Agribusiness clinics for more than 700,000 farmers and over 2,600 Agric-desk officers of commercial banks across the country to build capacity, enhance productivity and the flow of finance and investments to the sector.
- Developed innovative insurance products that have benefitted over 1.4 Million smallholder farmers nationwide.
- Facilitated approval by NAICOM for 9 private insurance companies to market the newly developed insurance products.
- Paid out N1.4billion Interest Drawbacks in support of good borrower behaviour.
- Created over 590,000 direct and indirect jobs through various interventions across value chains, positively impacting 3.5 million lives.

All achievements quoted are figures as at Q3 2020.



NIRSA FOCUS COMMODITIES



*V.A: Value Added

**Youth driven Controlled Environment Agricultural Production Systems in 36 State Capitals and the FCT.

***In Integrated Ranch Fodder Bank and Feedlot Production (RaFF) Systems.





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For more information about NIRSAL Plc,
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