

The Roles of Agent Networks In Reaching The Last Inch of The Last Mile

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Agent Network: A Nigerian Economic Imperative

Agent Networks represent the frontline of branchless banking services that enable customers to transact – often by turning cash into e-money and back again through appropriate technology, products and channels thereby integrating remote actors into the formal economy

Food Security

- Driven by Small Holder, economically active primary producers

Demography

- >60% of the Nigerian population involved in agriculture

Spread

- Highly dispersed rural enterprise

Infrastructure

- Limited or zero access to infrastructure



Nigerian Agriculture and Agribusiness Landscape

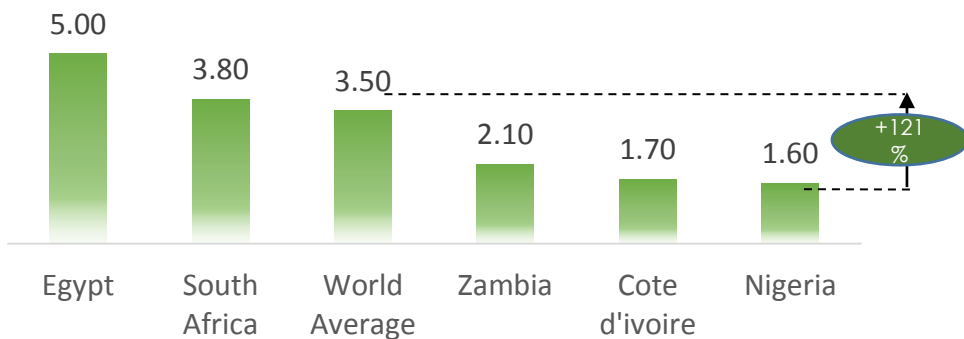
The Nigerian Agricultural Sector is underperforming

Cereal yields

Tons per Hectare

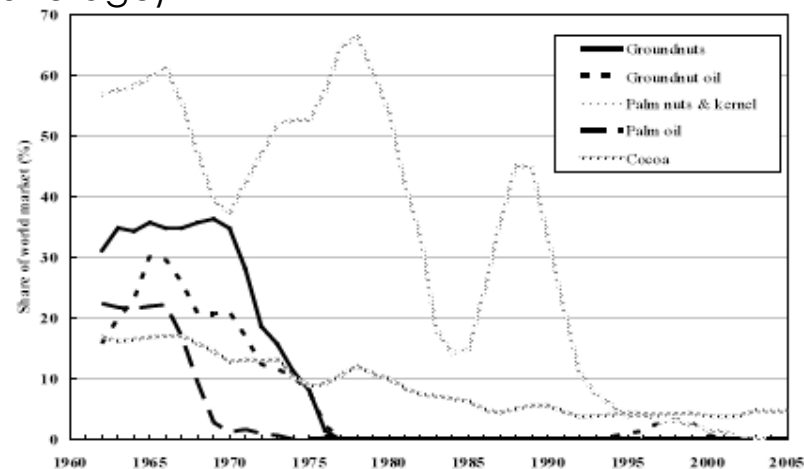
TONS PER HECTARE

Tons per ha

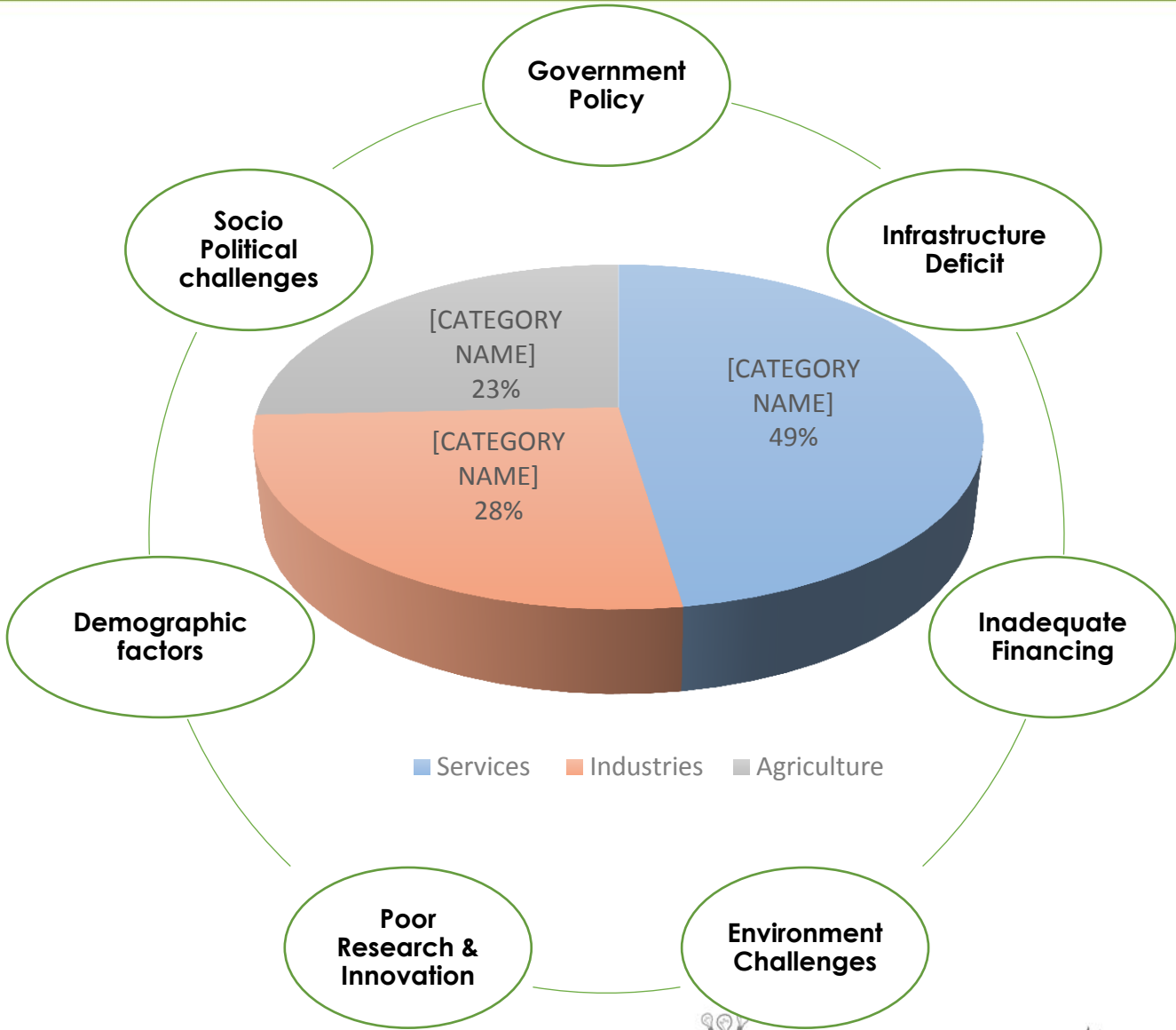


SOURCE: IFPRI report: Walkenhorst (2007), from UN Comrade Database

Nigeria's share of world trade for selected crops % of world market (three year moving average)



Factors Affecting Agribusiness Development in Nigeria



Available resources, The Value Chains and Potentials for Agribusiness Development

- Land Assets: 82million Ha. arable
- Market Size: 183million (70% urban)
- Value Chains & Potentials:
 - ✓ Fish production potential: 3.2m MT (20% local supply)
 - ✓ Dairy production: Current import status= N100bn p.a.
 - ✓ Cassava: Bread flour substitution c. N254bn p.a.; Estimated sectoral net worth of \$8.5bn by 2020
 - ✓ Sheep & Goats: 5th Highest producer in the world, with high potentials for growth
 - ✓ Rice: 6m MT annual demand; 17 Rice Mills with combined capacity of 210,000 MT



NIRSAL Plc: Relevance and Experience in the Agric Space

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

- ✓ incorporated in 2013 as a Non-Banking Financial Institution, designed to appropriately Define, Measure, Price and Share agribusiness related credit risk
- ✓ a \$500Million public liability company wholly owned by the Central Bank of Nigeria
- ✓ operates as an autonomous private sector institution with a distinct governance structure outside of the CBN; governed by a Board of Directors.

NIRSAL is a public private initiative of the following partners:

The Central Bank of Nigeria

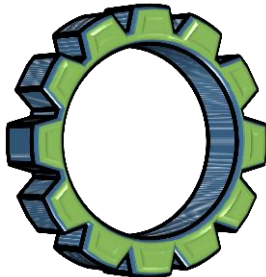
Bankers Committee

Federal Ministry of
Agriculture and Rural
Development

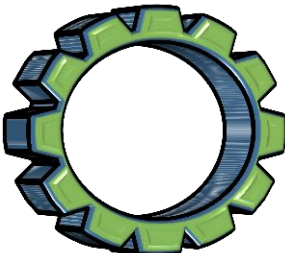


NIRSAL's Strategy

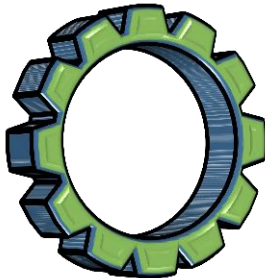
Our focus is to raise agriculture's share of commercial bank lending portfolio to about **10%** (c.\$6Bn USD) by 2026 through:



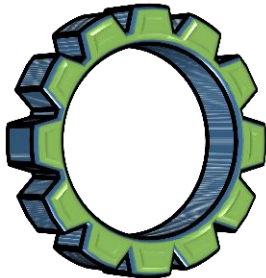
Technical Support to key actors along the agricultural value chain



Credit guarantees on loans made to agribusiness investors, farmers, companies and other related actors.



Strategic interventions and advice to governments on agricultural matters.



Investment support and advisory to value chain actors.



Strategic Positioning

STRATEGIC ENGAGEMENTS OF NIRSAL

Investment advice to farmer groups and other value chain operators

Strategic advice to state governments, local governments and Institutions on how to create an enabling business environment for agriculture

Work with local & international partners (AfDB, UNDP, AFRACA, FG) to enhance agric value chain efficiencies



Empowering Rural Africa



NIRSAL



Corporate Governance

Board of Directors

- CBN, Banker's Committee, FMARD, Organized Private Sector, (Chairman: CBN Governor)

Executive Management

- MD/CEO, ED Technical, ED Operations, Line Management

Business Structure

• **8 Mission-Critical Business Units:**

- Agric Value Chain Finance & Investment;
- Value Chain Development & Services;
- Collaborations, Partnerships, Project Development & Support;
- Risk Management (ERM);
- CRG OPS & Portfolio Management;
- Research, Strategy Innovation & Results Measurement /Outcomes/Impact;
- Relationship Management & Technical Assistance;
- Field Services (ePMS, PMROs)

- **3 Strategic Business Support Units:** Field ICT Services; Business Dev Services; Consulting, International Finance & Investment Advisory Services

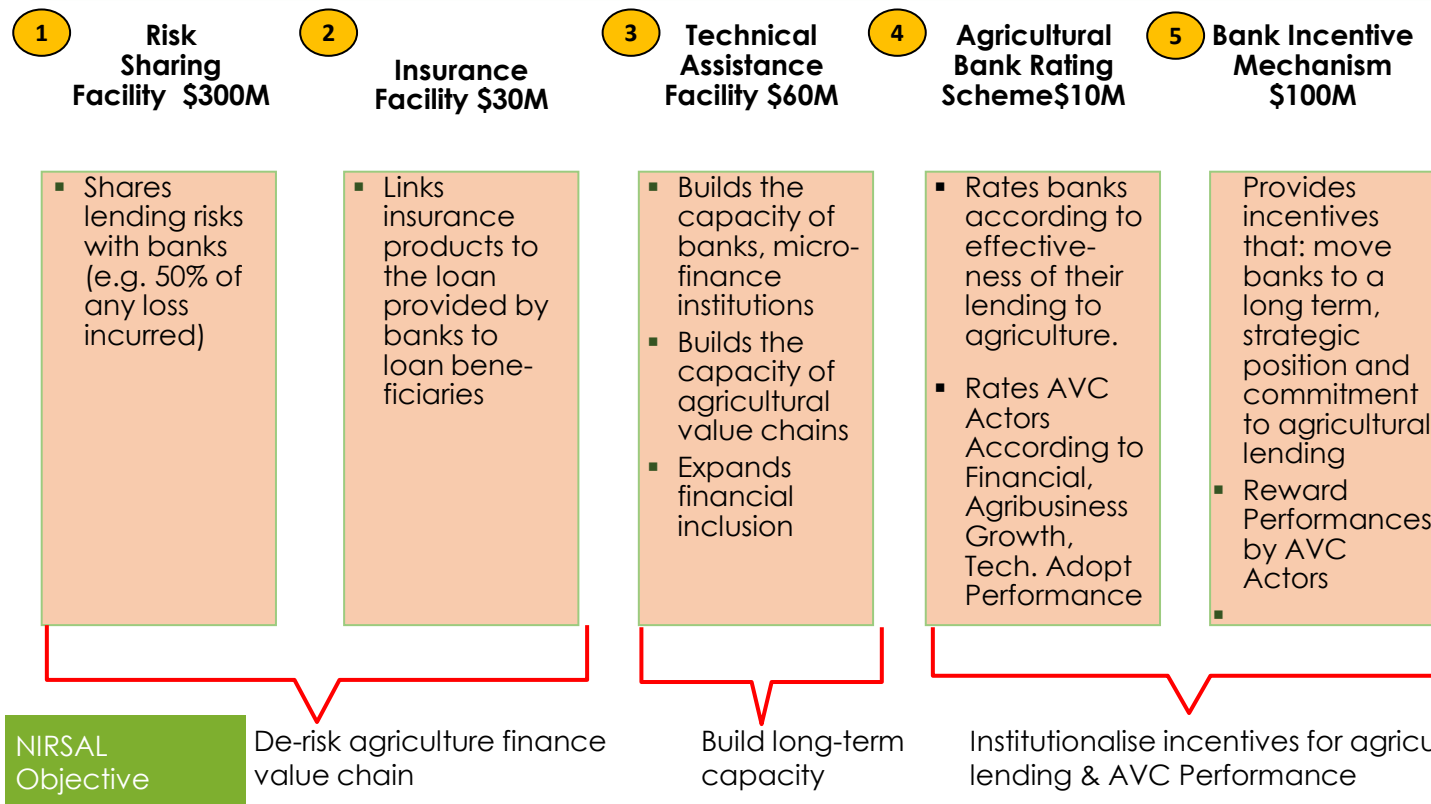
- **Corporate Business Support Units:** Internal Audit; Finance & Accounts; HCM & Admin; IT; Legal Services; Corporate Communications



NIRSAL: A Game Changer

The integration is driven by NIRSAL's 5 pillars, particularly the Risk Sharing and the Technical Assistance pillars . . .

Funds are applied along the 5 pillars of **NIRSAL** to stimulate lending



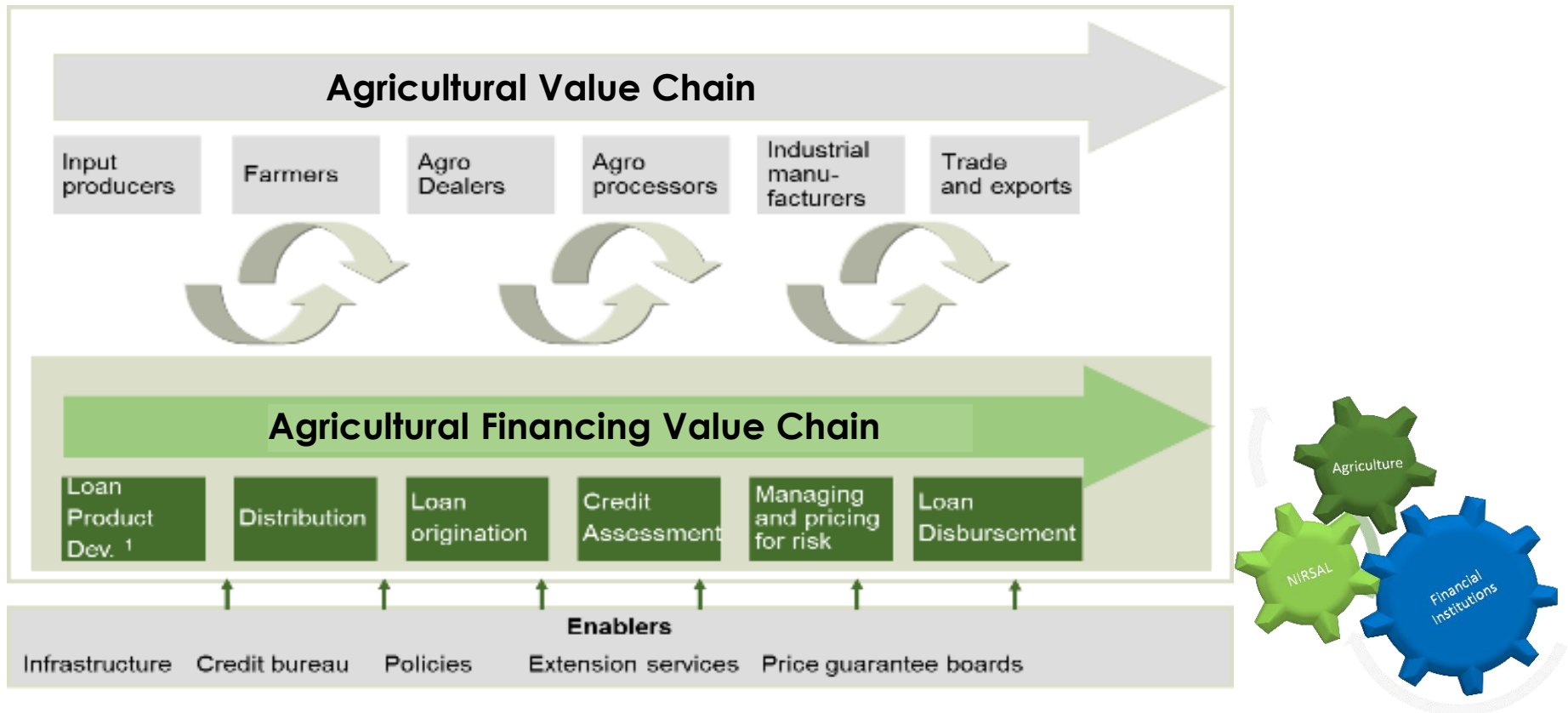
Goal

Expand bank lending in agricultural value chains



NIRSAL: A Game Changer ...cont'd

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



Specific VC-Based Interventions of NIRSAL

Fertilizer Financing Framework – \$80Mill

- 1 • A unique arrangement to ensure timely delivery of fertilizer to farmers

NIRSAL/SEEDAN Model for Seed Development

- 2 • NIRSAL to fully finance and control Early Generation Seeds (Breeder and Foundation Seeds) in collaboration with SEEDAN and NASC

Mechanization Financing Framework

- 3 • Guaranteeing commercial financing of tractor service providers – TOHFAN, SWOFON

Grains Production Financing Framework

- 4 • NIRSAL to facilitate finance for production of 2.3million Metric tonnes of Maize, Rice and Soybean.

CBN Anchor Borrowers Programme

- 5 • Disbursing and administering the Anchor Borrowers Programme Loans to small holder farmers towards enhancing primary production.



NIRSAL's Operations (Activities to-Date)

541 Credit Risk Guarantees (CRG) with a total face value of \$320 Million

Provided GAP training to 152,000 farmers in the following value chain; Cotton, Cocoa, Tomatoes & rice

NIRSAL's Mechanization financing model provided finance for 447 tractors worth \$12.5 Million for TOHFAN & SWOFON

Supported CBN and DMB's in establishing Agric. Desk in all 24 commercial Banks

Developed the Curriculum and Trained 184 Middle Management and Agric Desk Officers of Banks

Providing guidance on the establishment of RSF models for African Countries under the aegis of AfDB



NIRSAL's Activities to-Date cont'd.

LOGISTICS



Fixing the logistics of commodity transportation

• Outcomes:

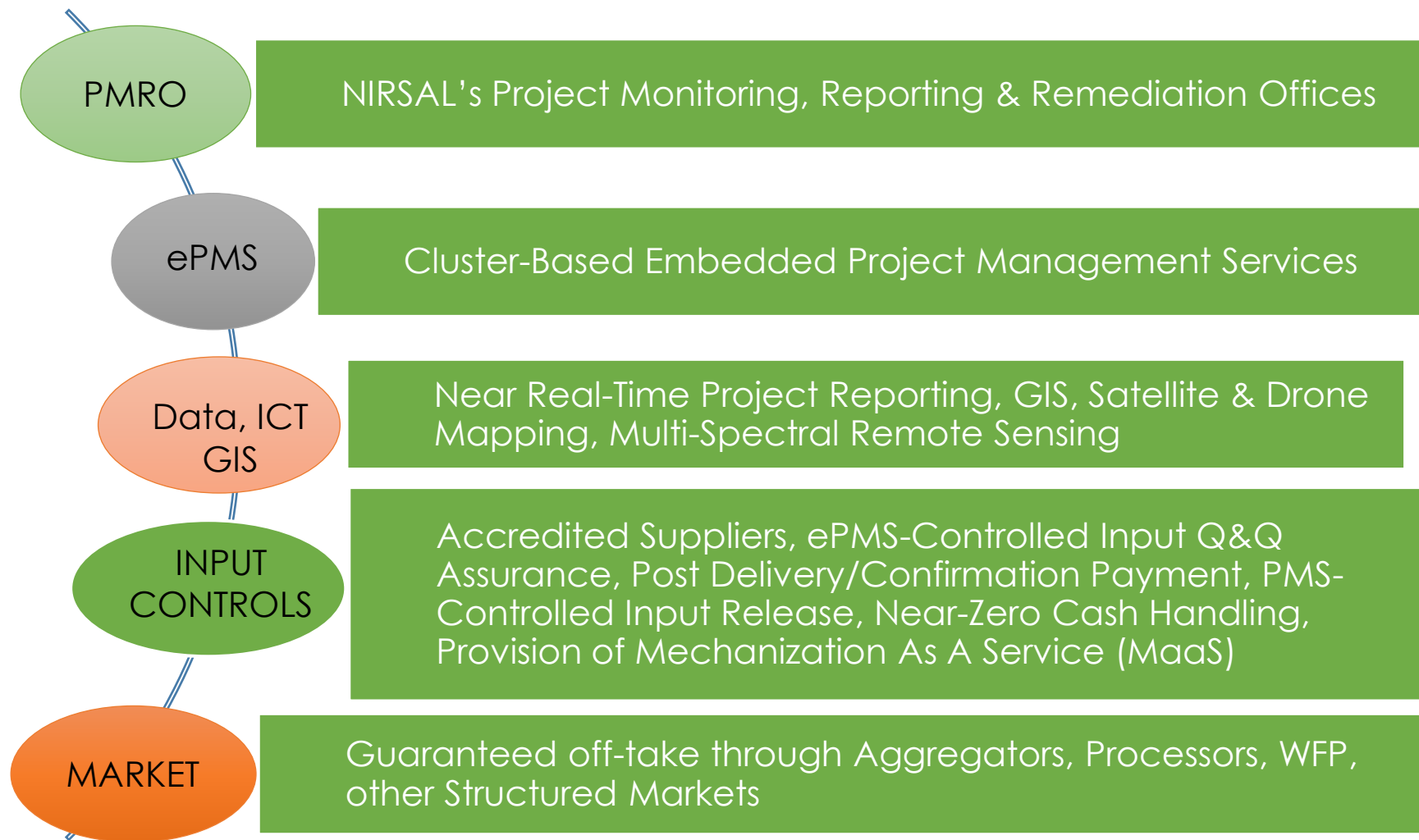
- Grains by Rail from Funtua (Katsina State) to Lagos.
- Facilitated the refurbishment of 20 wagons for the Nigeria Railway Corporation

Launched the Farm to Market Scheme:

•North to South Movement of Cattle by Rail 2,000 cattle by rail from Gusau (Zamfara State) and Nguru (Yobe State) to Lagos and Port Harcourt



Risk Management Tools Deployed By NIRSAAL

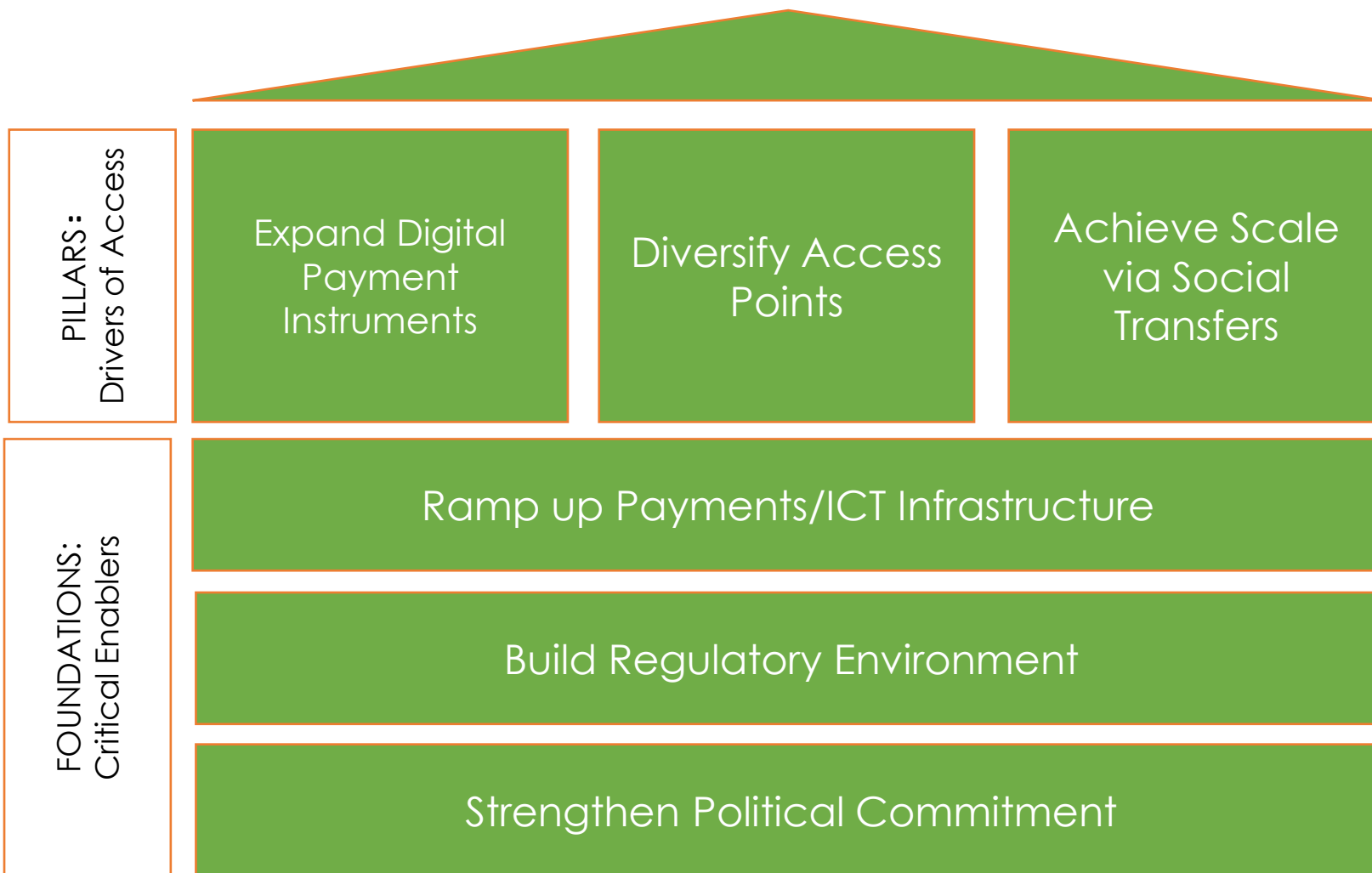


What NIRSAL aims to achieve

- **Leverage** the NIRSAL Risk Sharing Fund to grow bank lending to agriculture within 10 years from **1.4 to 10 percent**.
- Increase lending to the **small scale farmers (the “pooled” segment)** to **50%** of aggregate commercial banks’ lending to agribusiness.
- Expand insurance coverage from **0.5 million to 3.8 million** agricultural producers.
- Increase lending to **3.8 million** farmers by 2026 through pooling mechanism using **value chains and cooperatives**.



Global Framework for Universal Financial Access



The Roles of Agent Networks in Reaching the Last Mile

Deposit Mobilization

- Personal Savings
- Mandatory cash collateral for rural credit
- Proceeds from sale of farm produce to off-takers
- Group contributions and thrifts

Credit Distribution

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

Loan Administration

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

Market Information

- Access to Market
- Price Discovery



The Roles of Agent Networks in Reaching the Last Mile

Insurance
Data

- Farmer data capture for policy proposal
- Area Yield Data
- Weather and price index
- Farming Calendar and schedule of cultural policies

Financial
Identity

- BVN generation
- Account creation

Virtual Asset
Title (VAsT)

- Land asset delineation and mapping
- Movable Assets, Livestock and Produce registration
- Remediation
- Loan work-out



Actual Opportunities in NIRSAL's Interventions: ABP

400,000
MT

Expected total Metric Tones of grains – rice, maize and soybeans – from the Wet Season Anchor Borrower Program (**ABP**)

N16 billion

Total credit NIRSAL could channel through Commercial Banks/ Agent networks under the CBN Anchor Borrower Program/On Balance sheet Lending for smallholder farmers.

300,000

Number of smallholder farmers that could receive banking services through Commercial Banks agent networks under the ABP.



Overall Potential Opportunities in NIRSAL's Interventions:

2.8m
MT

NIRSAL's Expected Gross output of Carbohydrates & Protein Sources – rice, maize and soybeans, Livestock, Poultry, Fishery – for 207/18 Farming Season-Regular OBS & ABP if fully financed

N126bn

Total credit that NIRSAL could enable through commercial bank/agent networks to Small holder farmers in 2017/18 to achieve above metric

500,000

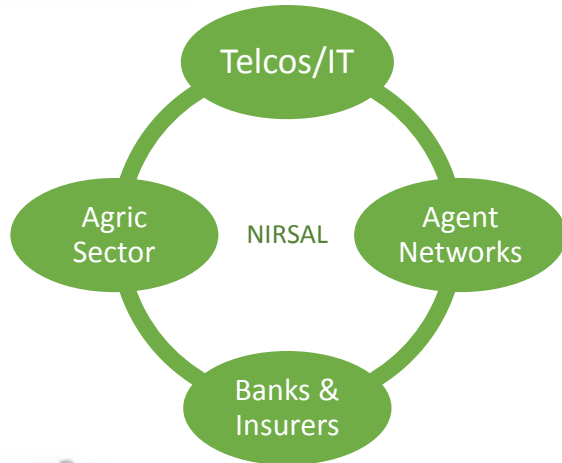
Number of smallholder farmers that will receive banking services through commercial bank/Agent Networks agent networks to achieve the above metric



NIRSAL's Value Proposition To Last Mile Players



Market Size: 3.8million metric tonnes of Gross output targeting 750,000 SHF,s with estimated investment of 126Bn in addition to other AVC Investments of N30Bn for 2017/18 Farming Season



Stakeholder Platform & Bespoke Systems: Provide the platform for Synchronization/alignment of Stakeholders & Process Coordination; Support Through Geo- Mapping SHFs to Actual Assets beyond BVN; Creation of VAsTs > Monitoring Through Remote Sensing Technologies(Satellite & Drone –based systems) and RFID Tagging/Tracking of mobile assets,



Distribution Channels: Support for identification & development of effective distribution Channels



Value Creation: Creation of agribusiness opportunity in rural areas for Institutions and last mile/Last last inch players



Conclusion

- ✓ NIRSAL's goal of reaching 3.8million agricultural producers by 2026 is just 27% of the existing farming population of 14million, excluding operators in other segments of the value chain
- ✓ Total private sector credit by Banks as at Q4, 2016 was **N16.117Trn** of which **N525.95Bn (3.26%)** was for the Agriculture sector . At the desired **10%** share of private sector lending, agriculture's share will be **N1.6Trn**. At that level of investment, agriculture can propel phenomenal economic growth
- ✓ Potential exists for doubling agric sector contribution to GDP and economic growth, but **“no one eats potentials”** (Dr. Akin Adesina)



Conclusion

- ✓ Agent networks are critical to reach the millions of highly dispersed players in the agribusiness space, and to integrate them into the formal financial system
- ✓ NIRSAL Plc seeks the collaboration of all stakeholders in the financial inclusion ecosystem to secure the desired collaboration between the financial system and agribusiness for the benefit of millions of smallholder farmers who constitute 80% of Nigeria's Labor Force and 65% of its population
- ✓ NIRSAL is willing to collaborate with Financial Institutions, Telecoms and IT infrastructure providers to identify rural sites with concentration of small holder primary producers in order to create the backbone of a virile agent network that reaches the last inch of the last mile in, and the first inch of the first mile out.



Thank You

- Contact Us
- Corporate Head Quarters: **Plot 1581 Tigris Crescent, Maitama, Abuja**
 - **NIRSAL** Project Monitoring Recovery & Remediation Offices:
Located in All State and Zonal Offices of the Central Bank of Nigeria

