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## RISK SHARING AGRICULTURAL LENDING FOR SMALLHOLDER AQUACULTURE.

Akinola Baiyewu

2nd November 2022/IITA, Ibadan



NIRSAL 

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## Outline

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About NIRSAL

2.

Financing  
Smallholder  
Aquaculture

3.

The Risk  
Sharing  
Facility

4.

Models &  
Structures

5.

Other de-risking  
Tools



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## About NIRSAL

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NIRSAL



Incorporated  
2013



Designed, Re-Define,  
Dimension and Measure,  
Re-Price, Share  
Agricultural based risks



\$500million Non-  
Bank Financial  
Institution

Public Private Partnership



CBN



Federal Ministry of  
Agriculture & Rural  
Development



Nigerian Bankers  
Committee

NIRSAL Objectives



Raise commercial bank  
agric. lending portfolio  
from the current figure to  
7% by 2026;



Expand Insurance  
Coverage from 0.5 to 3.8  
million small-scale farmers  
across various agric. value  
chains



Expand commercial  
lending to 3.8 million  
small-scale farmers by  
2026 using value-chains



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## NIRSAL's Mandate

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Define, Dimension and Measure, Price and Share agribusiness related credit risk



Fix broken agricultural value chains (AVC)



Build long term capacity



Institutionalize incentives for agricultural lending

## NIRSAL's Mandate



Stimulate the flow of finance and investment into the agricultural value chains

### Mission

**"To forge partnerships between agriculture and finance; maximizing the potential of agriculture for food security, job creation and economic growth"**

### Vision

**"Transforming the Economy, Delivering Inclusive Growth and Impacting Lives"**



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## Financing Small holder Aquaculture?



### Vulnerability

- Business Shocks
- Fish mongers
- Policy

### Collateral

- Land titles
- Poor asset base

### Monitoring

- Geography
- Transaction sizes

### Collections

- Geography
- Unstructured Markets



### Perception

- Limited understanding
- Prior experiences
- Who funds what( what works and what doesn't)
- The business thinking

### Transaction cost

- Monitoring
- Administration

### Production Risks

- Mortality
- Expertise
- Infrastructure

### Quality

- Food safety
- Standardization



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How do we get the banks to lend to Smallholder farmers



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## NIRSAL's First Intervention



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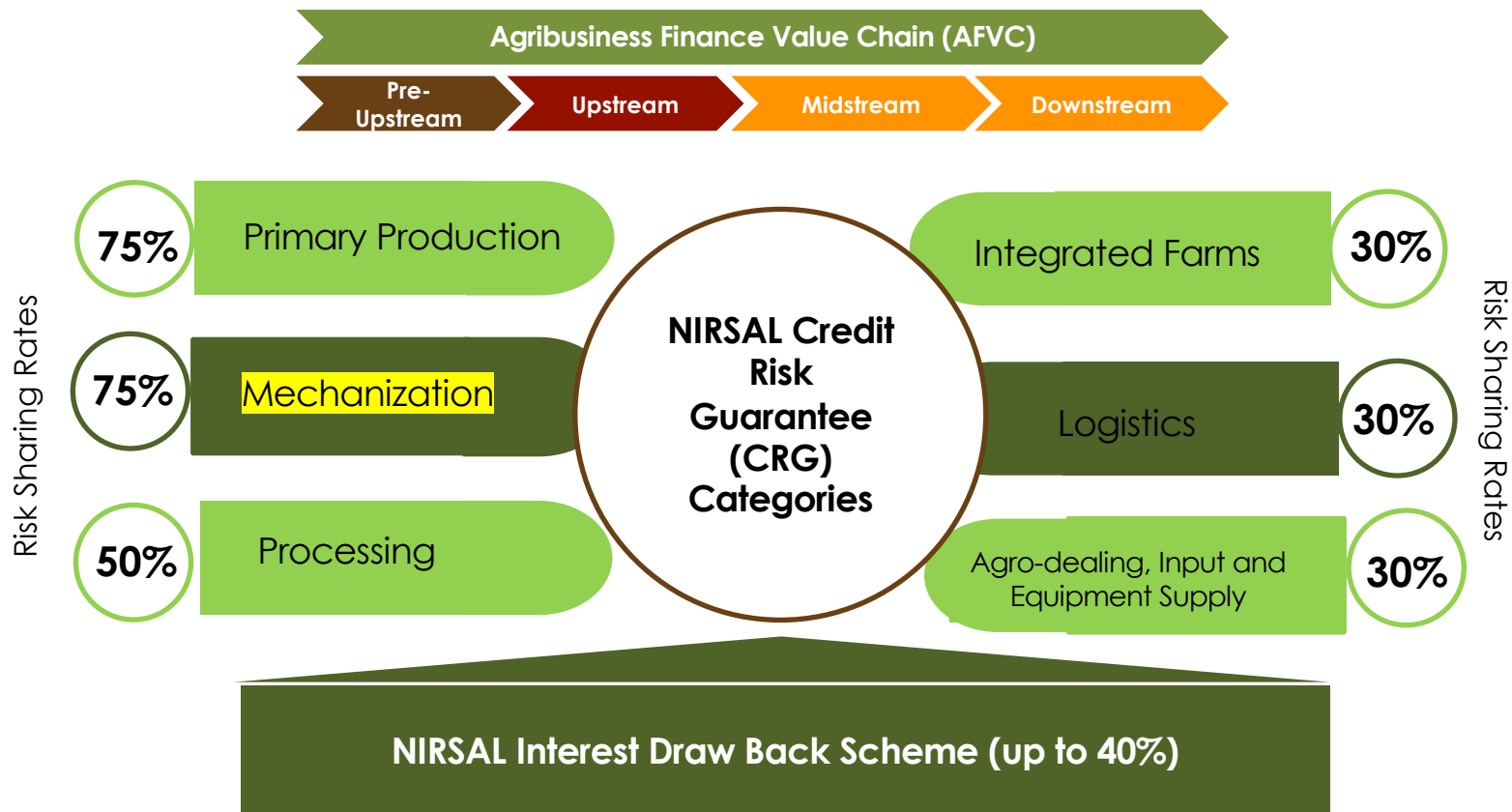
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## Engage Banks & Provide a Credit Risk Sharing Facility



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## Credit Risk Guarantee

- Issued by NIRSAL to secure loans against losses over the life of the underlying credit contract.
- Term loans, and/or debt instruments such as short, medium, and long term notes. **No overdraft**
- **Covers the credit risk of default on loan principal and the accrued interest.**
- Purchased at 1% (upfront payment) each of the loan value and subsequent outstanding balances of the loan annually as CRG and PMRO fees .

## Interest Drawback Support

- Interest rate support scheme is a grant to help that NIRSAL offers to borrowers whose facilities are in good standing.
- **Every loan guaranteed, qualifies in principle for consideration for IDB.**
- NIRSAL reserves the sole right to determine who receives its IDB support.
- Paid after every 90 days of the life of the loan in good standing **(all principal and interest payments are up to date, as per the original or amended pay back schedule agreed upon between NIRSAL, lender and borrower. )**
- IDB stops upon default, till all past due are remedied.





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How do we make our intervention sustainable



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## NIRSAL's Second Intervention



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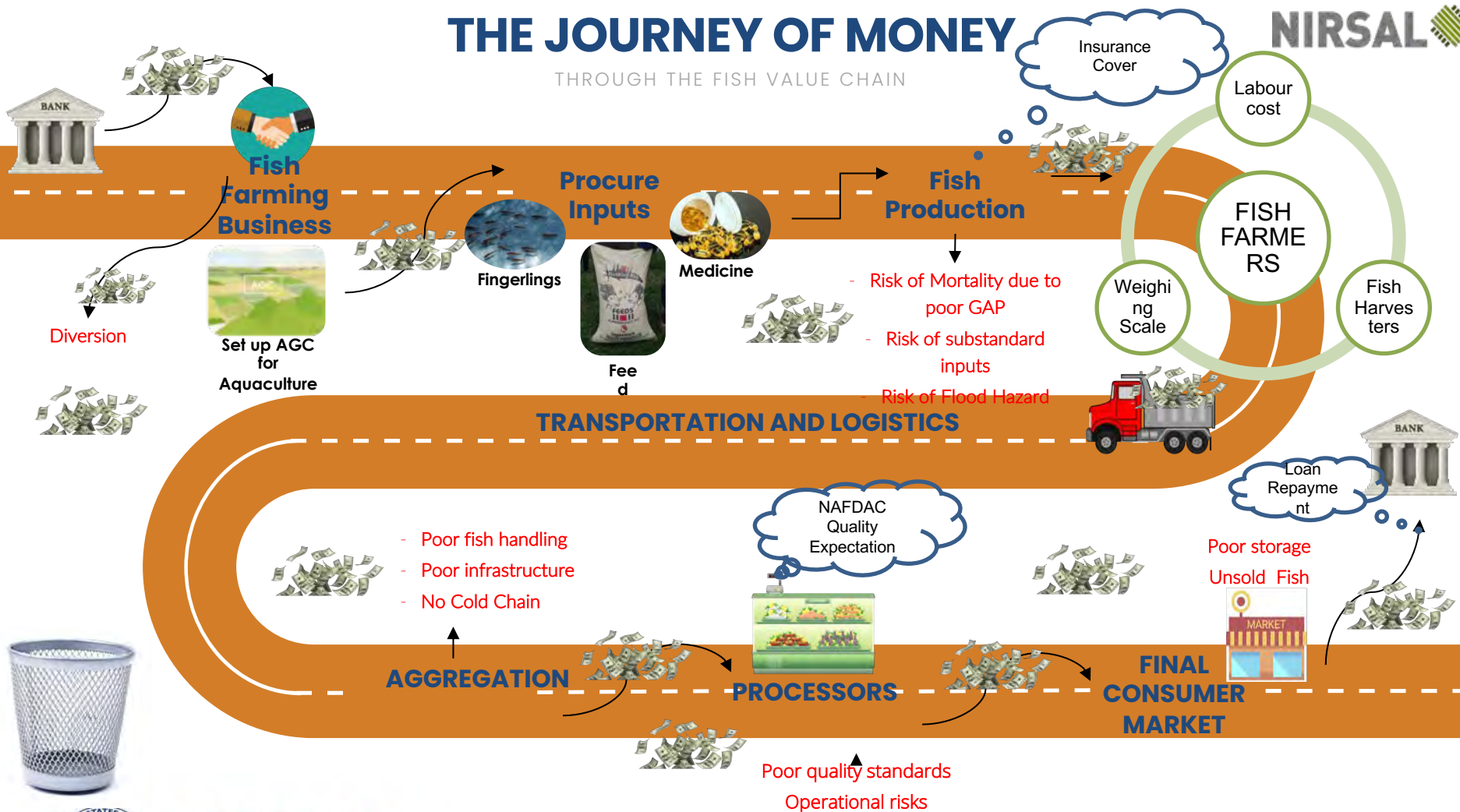
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## THE JOURNEY OF MONEY

THROUGH THE FISH VALUE CHAIN

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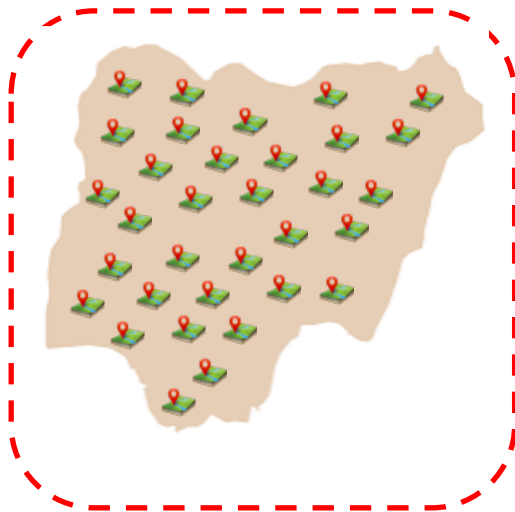


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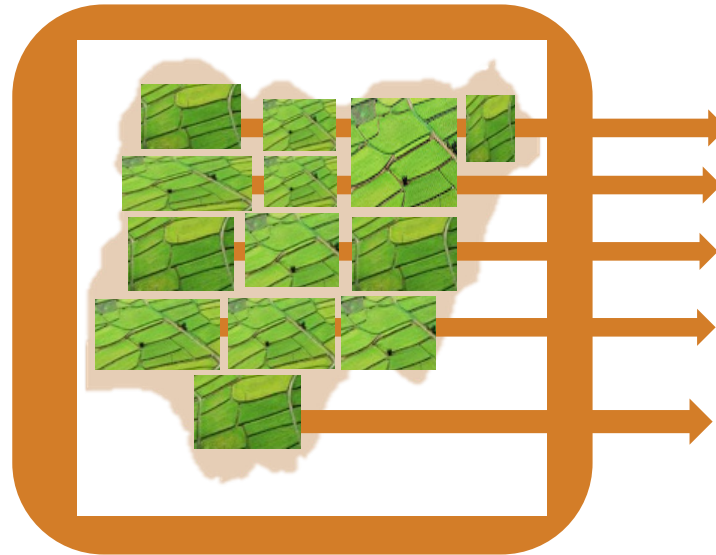
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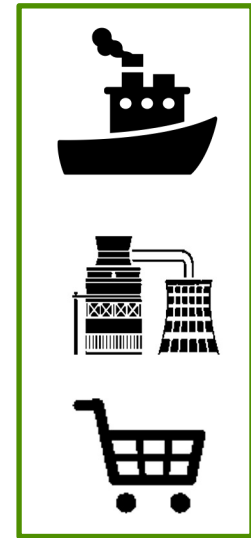
## Promote Lending Structures and Models



Disaggregated Farming  
(Business as Usual)



Optimized Primary Production  
facilitated by NIRSAL



Structured  
Markets

## Product programs/papers



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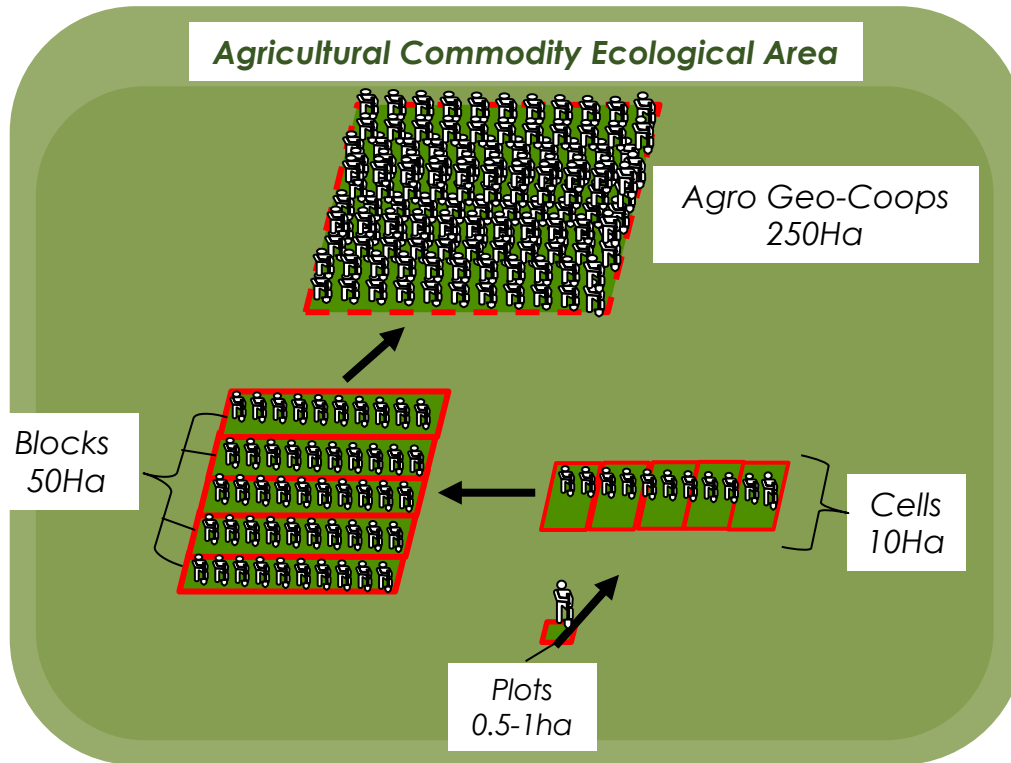


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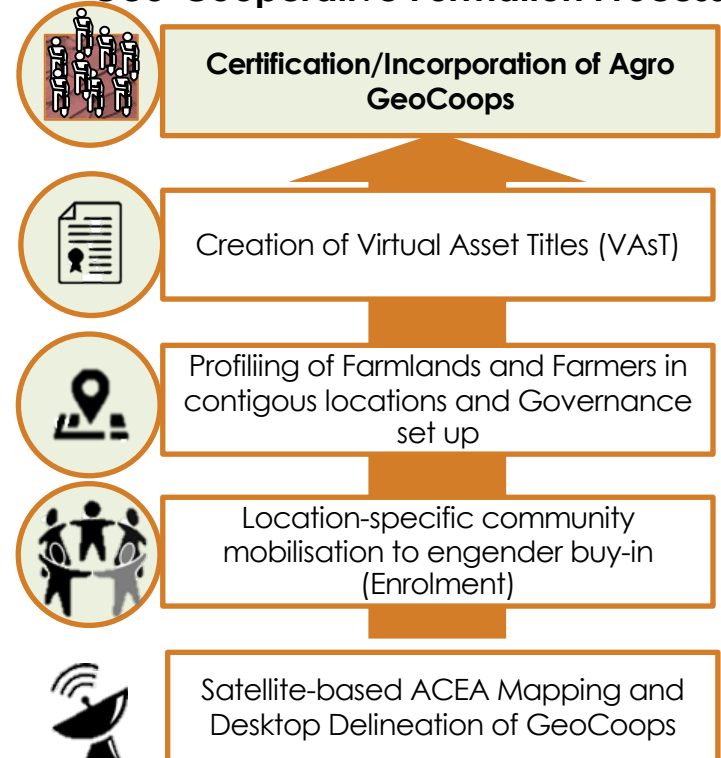
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**The Geo-Coop formation approach ensures effective structuring, financing and monitoring of primary production activities for impressive loan repayment**



## Geo-Cooperative Formation Process



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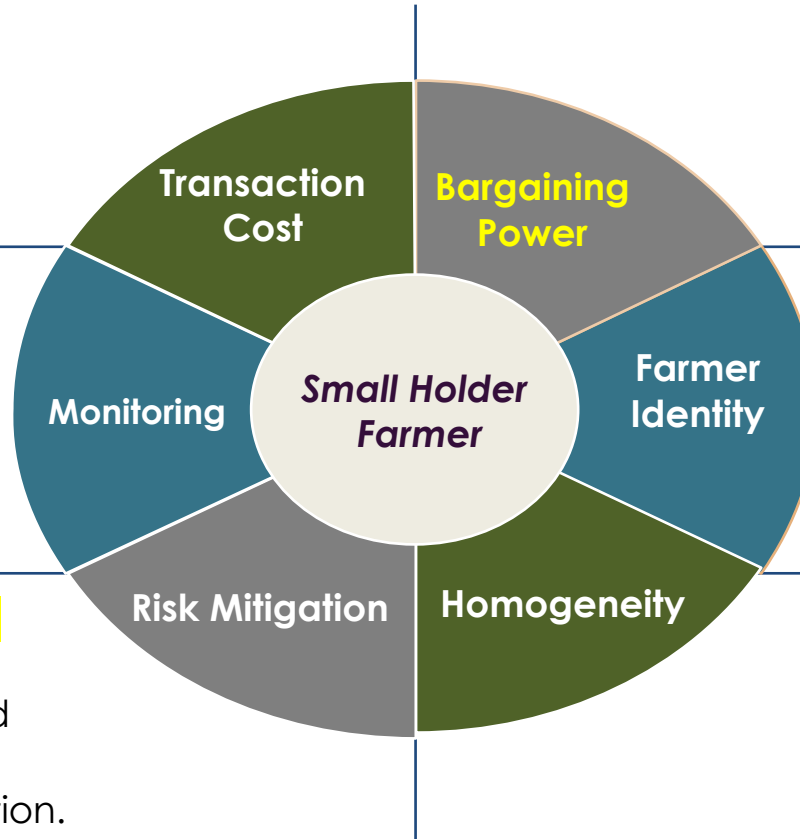
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- Financier's personnel costs
- Monitoring Overheads

- Extension services
- Easier Monitoring
- Self Governance and monitoring

- Cross Guarantees
- Cashflow Control/structured offtake
- Focused intervention.



- Cost and quality of Input
- Access to market
- Financial (Insurance, Vendor financing) Products
- Extension support

- Financial identity
- Farmer Profiling
- Trade partners

- Product programs
- Easier underwriting
- Standardization
- Portfolio monitoring



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## NIRSAL's Third Intervention



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## Promote Risk Transfer Products



Upstream

### Livestock Insurance

Covers the livestock against risk of death from disease, fire, accident, flood, lightning and windstorm.

### Types of Livestock Insurance

- Cattle (Dairy, Fattening, & Beef)
- Poultry (Layers, Broilers & Parent Stock)
- Turkey (Meat & Breeders)
- Ducks (Meat & Breeders)
- Pigs
- Sheep, Ram & Goats
- **Fishery**
- Rabbitry (Meat & Breeders)
- Grasscutters (Meat & Breeders)



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## NIRSAL's Interventions in Agricultural Insurance



	Problem	Product	Solution
2017	<ul style="list-style-type: none"> <li>Difficulty in assessing loss.</li> <li>Coverage of loss only to the tune of cost of production</li> </ul>	Area Yield Index (AYII)	<ul style="list-style-type: none"> <li>Loss assessment more profound by benchmarking actual yield against historical yield.</li> <li>Farmer is covered to the tune of expected yield.</li> </ul>
2018	<ul style="list-style-type: none"> <li>Good yield across the country results in price drop and loss of revenue</li> </ul>	NIRSAL Comprehensive Index Insurance (NCII)	<ul style="list-style-type: none"> <li>Protects farmers revenue by covering yield and excessive price fluctuation.</li> <li>Product also provides life insurance</li> <li>Price fluctuation aspect yet to be fully operational</li> </ul>
2019	<ul style="list-style-type: none"> <li>Cost of premium relatively high.</li> </ul>	Hybrid Weather-Yield Index Insurance (with NDVI)	<ul style="list-style-type: none"> <li>Reduction in cost of premium was achieved by replacing the need to do crop cut with weather index.</li> </ul>



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## NIRSAL's Interventions in Agricultural Insurance ... Cont'd



2020	Problem	Product	Solution
	<p>• <b>Mistrust between farmers and insurers</b> as some farmers query the accuracy of the index result while insurers claim the results are accurate, but the farmers do not adhere to Good Agricultural Practices (GAP)</p>	<p>Advanced Area Yield Index Insurance</p>	<ul style="list-style-type: none"> <li>• The product sets out a Basis Risk Fund to cater for claims that occur outside the indices.</li> <li>• All farmers will be invited to witness Crop Cut Experiment (CCE)</li> <li>• Farmers who suffer losses during the season will be able to report losses (via a dedicated toll-free number) and their farms will be included in the CCE</li> </ul>
		<p>Hybrid Multiperil – Index Insurance (HM-II)</p>	<ul style="list-style-type: none"> <li>• The product pays out when there is a deviation in normal weather</li> <li>• Product includes life cover and cost of funeral</li> <li>• Product allows for claim by farmers outside the weather indices if there is complain from more than 5% of the insured farmers</li> </ul>





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## Incubating Interventions



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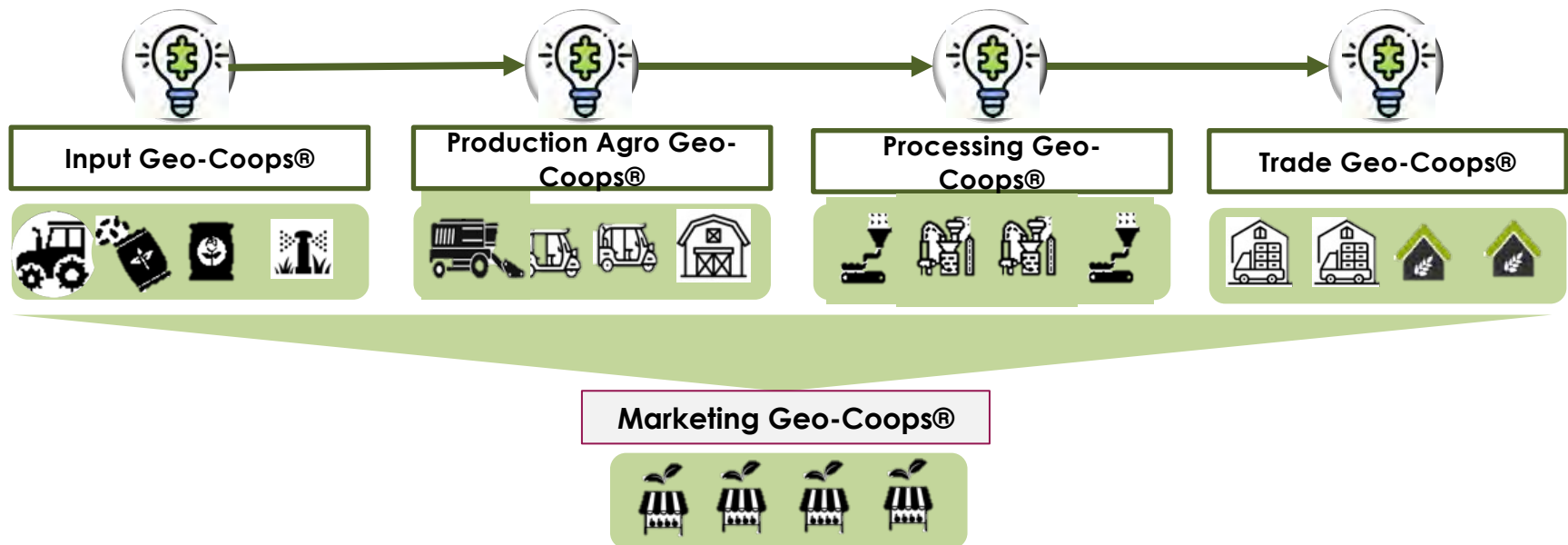


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In ensuring end-to-end value chain linkages, NIRSAL is also establishing Input, Trade and Marketing Geo-Coops® across focus commodity value chains



## Creation of Product Programs



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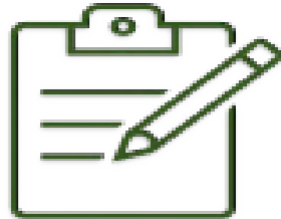


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## Agribusiness Risk Management Solution Services (ARMS)

The NIRSAL ARMS is an end to end service solution that aims to close the gaps in the Pre-Upstream and Upstream segment of the value chain including solving the challenges of the F-AGC formation.



### **Farmer Enrolment & Farmland Mapping**

Capturing of KYC, KYF and KYL

### **Input Distribution**

Managing Distribution of Inputs to Right Farmer at Right Time and Right Quality

### **Project Extension & Monitoring**

Provide GAP advisory to Farmers and monitor farm performance

### **Produce Aggregation**

Ensure recovery of produce for loan repayment and manage aggregation centre inventory

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## Thank you



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