



CENTRAL BANK OF NIGERIA

PRESS RELEASE

CBN Partners Alliance for a Green Revolution in Africa (AGRA) to Stimulate Agric Financing

The Central Bank of Nigeria,(CBN) today signed a landmark agreement with the Alliance for a Green Revolution in Africa (AGRA) to develop a new innovative mechanism for unlocking billions of Naira of financing to serve the needs of all farmers, especially smallholder farmers, agro-processors, agribusinesses and input suppliers in the agricultural value chain. AGRA is an Africa based organization working in partnership with governments, agricultural research organizations, farmers, private sector, civil society and other rural development stakeholders to significantly and sustainably improve the productivity and incomes of resource poor farmers in Africa.

As part of the agreement, the CBN will work with AGRA, UNIDO and other key stakeholders in Nigeria to develop an innovative financing mechanism, tagged Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL) which will be aimed at providing farmers with affordable financial products, while reducing the risk of loans to farmers under other financing programmes offered by the financial institutions. The initiative will build capacities of banks to expand lending to agriculture, deploy risk sharing instruments to lower risks of lending and develop a bank rating scheme to rate banks based on their lending to the agricultural sector.

While signing the agreement, the Governor, Mallam Sanusi Lamido Sanusi explained that in Nigeria, agriculture accounts for over 40 percent of GDP, yet it receives only one percent of total commercial bank loans. Unlocking access to bank financing for agriculture and developing risk-sharing approaches is therefore critical for stimulating innovations in agricultural lending and increasing food production noting that “a productive and efficient agricultural sector is the foundation for the food and economic security of our nation.”

He further said that “the Central Bank of Nigeria has embarked on major reforms of the banking sector to bring it in line with our priorities for sustainable economic growth. Agriculture is one of the key sectors. Financing agriculture is central to Nigeria’s economic future. NIRSAL is our home grown instrument for achieving this transformation.”

In his comments, the President of AGRA Mr. Namanga Ngongi said that “the Central Bank of Nigeria is clearly showing that it can spur new opportunities in agriculture through leveraging financing from commercial banks for agricultural value chains. This is the kind of example that, if successful, can set the tone for the rest of Africa.” He added that “Agriculture is no different from any other businesses and agriculture is a business not a way of life.”

The key to success Mr Ngongi stated is to provide farmers with access to improved farming technologies with financial resources and market linkages. They also need financial literacy to help them use financing better.

In the same vein, the country representative of UNIDO, Mr. Patrick Komala commended the CBN for the bold initiative and that UNIDO is proud to be a partner in the alliance for this laudable project. He said that UNIDO looks forward to a time in the future when Nigeria shall be referred to as the champion of agriculture in Africa and therefore thanked the CBN Governor for the initiative.

The Minister of Agriculture, Professor Sheikh Abdullahi said that agriculture is a major way to create wealth in Africa and congratulated Mallam Sanusi for championing the initiative to develop value chain for agriculture.

AGRA, CBN, UNIDO and other stakeholders will also work together on developing innovative insurance products that are affordable to farmers, to complement the support to be provided for banks and other financial institutions, in order to further reduce the risk of lending.

The initiative whose design phase was announced today in Abuja is part of a larger effort initiated by AGRA and partners to leverage billions of dollars in support of agriculture across the continent.

Signed

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