



**Report:**  
**Mini-Workshop on Access to Finance**  
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## Abbreviations, Explanations and Links

CACS	Commercial Agriculture Credit Scheme by Central Bank of Nigeria and Federal Government of Nigeria as published in June, 2014; for guidelines: <a href="http://www.cenbank.org/Out/2015/DFD/REVISED%20CACS%20GUIDELINES%20NEW%20.pdf">http://www.cenbank.org/Out/2015/DFD/REVISED%20CACS%20GUIDELINES%20NEW%20.pdf</a>
CARI	Competitive African Rice Initiative, led by GIZ, comprises of international and national companies and institutions, Technoserve (TNS), Kilimo Trust (KT) and the John A. Kufuor Foundation (JAK). CARI is a regional partnership based development programme in Nigeria, Ghana, Burkina Faso and Tanzania; Programme Period: 2013 until 2017; <a href="http://cari-project.org/">http://cari-project.org/</a>
FCT	Federal Capital Territory, Central State with the capital Abuja in Nigeria
GAP	Good Agricultural Practice
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GmbH), Germany; <a href="http://www.giz.de/en/html/index.html">http://www.giz.de/en/html/index.html</a>
GDP	The Gross Domestic Product is the total value of goods produced and services provided in a country during one year.
IFAD Niger State VCDP	The International Fund for Agricultural Development (IFAD), a specialized agency of the United Nations, was established as an international financial institution in 1977 as one of the major outcomes of the 1974 World Food Conference. IFAD Niger State VCDP is a Value Chain Development Programme in Niger State, one of total six Nigerian States selected for programme implementation targeting poor smallholder rural households engaged in the cassava and rice value chains primary target group. <a href="http://www.ifad.org/operations/pipeline/pa/nigeria.htm">http://www.ifad.org/operations/pipeline/pa/nigeria.htm</a>
Micro/Cottage	A Micro or Cottage enterprise (according to the SME definition herein) is an entity with asset base below NGN 5 million (excluding land and buildings) with labour force (employees) up to 10.
MSMEDF	Micro, Small and Medium Enterprise Development Fund as defined in the MSMEDF guidelines revised published as of August, 2014 by the Central Bank of Nigeria; for guidelines: <a href="http://www.cenbank.org/out/2014/dfd/msmedf%20guidelines%20%20.pdf">http://www.cenbank.org/out/2014/dfd/msmedf%20guidelines%20%20.pdf</a>
Mission	“Support to access finance for MGF-partners and conception of bankable projects and related capacity development under CARI” from 03/08 to 14/08/2015 tasked by CARI to Anna Lomeling, Finance Consultant
MGF	A “Matching Grant Fund” is a development partnership measure and both CARI and a private partner are contribute the same amount of payments/costs to support activities in the following intervention areas for achieving a sustainable success of the African Rice Industry: Increased productivity/quality of paddy rice/complementary crops, increased efficiency of local rice sourcing/processing/marketing and improved access to financial services for all value chain actors; <a href="http://cari-project.org/matching-fund/purpose/">http://cari-project.org/matching-fund/purpose/</a>
MoU	A Memorandum of Understanding is a cooperation agreement for between two partner organisations/companies, possible also one of the private and another of the public sector.

NAMDA	Niger State Agricultural & Mechanization Development Authority in Minna, hitherto Niger State Agricultural Development Project, NSADP, is an extension arm of Niger State Ministry of Agriculture and Rural Development to implement government agricultural policy decisions by programmes for improvement of extension, research and agronomy
NAIC	Nigerian Agricultural Insurance Corporation is a wholly-owned Federal Government of Nigeria insurance company set up specifically to provide Agricultural risks insurance cover to Nigerian farmers; <a href="http://www.naic.gov.ng/">http://www.naic.gov.ng/</a>
NIRSAL	Nigeria Incentive-Based Risk-Sharing System for Agricultural Lending is an agribusiness initiative which provides its clients risk management, financing, trading, and strategic solutions. Their focus on clients in the Nigerian agribusiness market (42% of GDP) is global. Founded in 2011 following an extensive market opportunity review, NIRSAL serves clients across multiple crop and livestock value chains. The Central Bank of Nigeria (CBN) is NIRSAL's current primary shareholder. <a href="http://nirsal.com/">http://nirsal.com/</a>
NSRIC	Niger State Rice Investment Consortium is a parastatal consortium of investors investing for example in agricultural equipment hiring centres.
SEDIN	Pro-Poor Growth and Promotion of Employment in Nigeria, a Programme under GIZ in Nigeria; Programme Period: April 2011 until March 2017; objective to improve the frameworks for business and investment activities of micro, small and medium-sized enterprises (MSMEs), especially their access to markets and resources and their contributions to incomes and employment. SEDIN's four-pronged implementation strategy is based on: 1. Financial System Development; 2. Business Enabling Environment Reforms; 3. Trade Policy and Facilitation; and 4. Value Chain Development. The programme's interventions are implemented at the federal, state and local level with focus on three pilot States; Niger, Ogun and Plateau. <a href="http://www.sedin-nigeria.net/">http://www.sedin-nigeria.net/</a>
RIPAN	Rice Farmer Association of Nigeria
SME	Small and Medium Enterprises are – according to the Central Bank of Nigeria's guidelines for its Micro, Small and Medium Enterprise Development Fund (MSMEDF) as of August 2014 – are defined as entities with asset base of N5 million and not more than N500 million (excluding land and buildings) with labour force (employees) of between 11 and 200. <a href="http://www.cenbank.org/Out/2014/DFD/MSMEDF%20GUIDELINES%20%20.pdf">http://www.cenbank.org/Out/2014/DFD/MSMEDF%20GUIDELINES%20%20.pdf</a>  Therefore, this definition is meant in that report. However, there are other earlier definitions to find on the website of the Central Bank of Nigeria mentioning higher numbers of employees, being up to 500 for Medium Enterprises, a maximum number commonly used in other countries, too.
SMEEIS	The Small and Medium Enterprises Equity Investment Scheme is a voluntary initiative of the Bankers' Committee in 1999 to promote SMEs as vehicles for rapid industrialisation, sustainable economic development, poverty alleviation and employment generation.

The Scheme requires all banks in Nigeria to set aside ten (10) percent of their "Profit After Tax" (PAT) for equity investment and promotion of small and medium enterprises. The 10% of the PAT to be set aside annually shall be invested in SME as the banking industry's contribution to the Federal Government's efforts towards stimulating economic growth, developing local technology and generating employment. The funding to be provided shall be in the form of equity investment in eligible enterprises and or loans at single digit interest rate in order to reduce the burden of interest and other financial charges under normal bank lending, as well as provide financial, advisory, technical and managerial support from the banking industry. Every legal business activity is covered under the Scheme with the exception of trading/merchandising and financial services. Ten percent (10%) of the funds set aside has been earmarked for lending to microfinance enterprises. For guidelines:  
<http://www.cenbank.org/OUT/PUBLICATIONS/GUIDELINES/DFD/2006/REVISED%20SMEEIS%20GUIDELINES.PDF>

## 1. Introduction

The Competitive African Rice Initiative (CARI) is commissioned by the Federal Ministry of Economic Cooperation and Development of Germany and supported by the Bill & Melinda Gates Foundation and Agro-industry. CARI aims to significantly improve the livelihoods of 120,000 rice farmers in Nigeria, Ghana, Burkina Faso and Tanzania by increasing the competitiveness of domestic rice supply to meet increasing regional demand.

During the last Nigerian steering committee in April 2015, the need for support to access finance has been identified as one of the priority areas for support to the Matching Grant Fund (MGF) Partners. Some of them have already started to identify potential financial institutions for supporting them in providing resources to finance working capital. The need for working capital has been identified in at least three steps in the value chain.

Capital need for

- a) The financing of inputs and services for outgrower schemes,
- b) The purchase of paddy and
- c) The storage and marketing of rice.

Further there are investment needs into equipment like improved processing (mills, destoners, color sorters, packaging machines).

Talks between banks and MGF-partners have started and are advanced but have not yet resulted in the submission of bankable dossiers by the MGF-partners to commercial banks. One of the factors identified is that there is not always a mutual understanding of the requirements of each partner. Support should be provided to the actors to be able to conclude at least one financial arrangement for the 2015 wet season.

The task to “Support to access finance for MGF-partners and conception of bankable projects and related capacity development under CARI” (Mission) was assigned to the Finance Consultant including a 14-day mission in Nigeria. The desired goals were

- To developing two bankable projects for financing (either working capital or investment),
- To present a template for a Memorandum of Understanding (MoU) to guide the relationship between banks and CARI on access to finance and
- To see CARI staff and partners better informed and skilled to edit bankable projects (knowledge about the requirements for successful submission of bankable projects for approval).

In a first step, more than 20 stakeholders along the rice value chain and potential funding as well as risk sharing partner were preselected by CARI. Structured interviews with 20 available stakeholders were conducted in Abuja (FCT), Minna and Bida, both in Niger State between 3<sup>rd</sup> and 10<sup>th</sup> of August, 2015. All interviews were conducted by

- Anna Lomeling, CARI, Finance Consultant,
- accompanied by Anthony Obroh Olori, SEDIN, Advisor Financial System Development (Abuja)
- and partly by: Solomon Agamah, CARI, Operations Manager (Abuja),
- Yusuf Dollah Fou’ad, CARI, Value Chain Advisor (Abuja),
- Musa Ebayaya, SEDIN, Value Chain Advisor (Minna) and
- Tunde Abdulkareem, SEDIN, Consultant for Access to Finance in Niger State (Minna).

Of the 20 stakeholders interviewed, 8 were of commercial banks, 4 of microfinance banks, 4 of risk sharing and/or technical training providers and 4 of existing MGF-partners (millers) as shown in the next table:

## Mission on Access to Finance: Interviews conducted

Banks/ Financiers	MFB in Bida	Risk sharing and other providers	Millers
First Bank of Nigeria	Bejin-Doko	NAMDA	Ajifa Rice Mill
Union Bank	Bayetin	NIRSAL	Onyx Rice Mill, Bida
Unity Bank	Edurana	Oikocredit	Hyst Global Business Ltd.
Fidelity Bank	BRASS	NRIC	WACOT
Bank of Agriculture			
Keystone Bank			
Ecobank			
Bank of Industry			

Secondly, available information and documentation including business plan drafts by MGF-partners, guarantee guidelines and credit requirements were screened by the Finance Consultant to get a first impression on the capacity, constraints and access to banking and business procedures, but also the mutual understanding of different stakeholders and potential finance providers.

Further steps of the Mission resulted in

- (3) Drafting and conducting a smooth and effective miller-bank-dialogue
- (4) A Memorandum of Understandings (MoU) template including MoU proposals to three Nigerian banks to guide the relationship between banks and CARI on access to finance,
- (5) A Mini-Workshop as described in the next passage of this report
- (6) Arranging Business-to-Business-meetings to give MGF-partners an opportunity to present their company's individual finance requests to potential finance partners
- (7) Working on bankable dossiers for financing
- (9) Debriefing CARI staff on 14/08/2015 about the Mission's results and next steps - and a later consultancy report with recommendations and conclusions on the Mission.

## 2. Objective of the Mini Workshop

Consequently, the objective of the Mini Workshop was to present the findings of the Mission, to involve millers, banks and other necessary stakeholders along the rice value chain in a dialogue for improved mutual understanding.

According to the Programme attached in the Annex, a discussion about potential solutions to access finance of priority topics, working together on the next steps with existing and potential partners of CARI was conducted.

### 3. Composition of Participants

The aim was to introduce finance seeking MGF-Partners of CARI, associations in key positions along the rice value chain, policy makers and financial service providers to each other in order to work together on potential solutions for closing the finance gap. Altogether, 29 representatives (thereof 14% female) of the following stakeholders attended the one-day Mini Workshop (see Annex for contact information of participants and further distribution list):

- Millers (including all current MGF-partners)
- Commercial and Microfinance Banks
- Associations/Organisations working along the rice value chain (IFAD Niger State VCDP, RIPAN, NSRIC, NAMDA)
- Foundation/Policy Makers
- CARI/SEDIN staff and the Finance Consultant (Facilitator)

Further potential funding, risk sharing partners and other stakeholders along the rice value chain were invited, but were not available for participating.

### 4. Expectations of the Participants

Most of the participants along the rice value chain met the first time with representatives of the banking sector. To facilitate contacts, a Welcome Tea, a brief introduction of different stakeholders at the beginning of the Mini Workshop and participatory sessions were conducted during the Mini Workshop. For a mutual understanding of the Mini Workshop's objective and knowing about the expectations of other participants, all expectations below were collected on a brown paper wall and presented by the facilitator:

CARI & Access to Finance, Bankable Projects	Finance Solutions and Models	Partnering, Synergies, Roles, Financial Management
<ul style="list-style-type: none"> <li>• <b>Know about CARI and access to finance, how to make projects more bankable</b></li> <li>• Financial procedures in GIZ/CARI</li> <li>• Develop a final concept note on access to finance to farmers and an agreement with all stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Practical solutions for access to finance for smallholder farmers</li> <li>• Create easy pathways for access to finance for rice value chain actors</li> <li>• Learning about easier funding mechanism</li> <li>• Different approaches how to give easily access to finance for farmers</li> <li>• Feasible financing Model(s) for Agro-Business</li> <li>• Agric finance challenges should be adequately addressed</li> <li>• How RIFAN as an association will be able to access finance?</li> </ul>	<ul style="list-style-type: none"> <li>• How best I can partner for effective rice value chain finance</li> <li>• Proper linkage, synergy of different actors of the rice value chain</li> <li>• Practical Assistance to enable us mechanization</li> <li>• Defined Role of Agro-Dealer/Credit Institution synergy?</li> <li>• Improve in financial management [stakeholder in the rice value chain]</li> <li>• Access for expansion for our farmers</li> <li>• How do you intend to assist the rice farmers with "worthy" off-takers?</li> </ul>

One of these expectations seems to be significant for most of the participants:

- (1) to know about CARI, (2) access to finance, and (3) how to make projects more bankable**



## 5. Findings of the Mission

The presentation of the Mission's Findings were derived from business data public available and collected during interviews and afterwards from interview partners, SEDIN and CARI.

The CARI Business Plan Guidelines were handed over to all participants for information, which kind of content had been earlier requested from all MGF-Partners (in order to develop business plans for presentation to potential finance service providers). CARI's Concept Note for Project financing for MGF-partners was also distributed to all participants as a background information on CARI's programme approach. Both Guidelines and Concept Note are attached to the Annex.

The leading question of the Mission was: "What is preventing and enabling access to finance according to MGF-partners and other stakeholders interviewed along the rice value chain?"

The Findings were summarized here (see the power-point presentation in the Annex).

### 5.1 Challenges related to the Rice Value Chain

Along the rice value chain, the following challenges, risks and gaps were seen as a preventer for access to finance:

- Lack of productivity, mechanization, GAP resulting in low (quality) produce and non-profitable production
- Lack of infrastructure for transport to supply input and to sell produce without time and cost lag
- Lower quality of paddy/locally produced rice than imported rice results in lower prices and or lower demand and altogether in smaller profits
- Non-certified, non-formalized market structures, i.e. no off-taker-agreements results in unsecure market demand, dependence on volatile market prices and unforeseeable sales results (if profitable or not)
- Unused capacity of mills results in low production with high maintaining costs, meaning non-profitability of production
- No access to available, affordable finance: Lack of knowledge about finance volumes, products (including insurance) and requirements for successful submission, no necessary collateral or guarantees available

### 5.2 Challenges related to the Financiers' side

Either challenges which affects the lending willingness of financial service providers or hesitant application of loans are captured here:

- Lack of bankable pilot projects in the rice value chain
- Little or no information about existing lending portfolio to stakeholders along the rice value chain indicated limited lending experience and or loan portfolio with this value chain and/or limited number of experienced personnel at the front office dealing with the new customer base in that value chain (despite the management level of these financiers was mostly familiar with the rice value specifics)
- High number of different lending requirements and costs for lending
- Absolute demand by all financiers for securization of loans, but issues/lack of collateral at potential customers' side
- Lack of trust in agricultural customers and advance banking pre-condition before lending lead to production-delaying time gap between finance request and lending
- High transaction costs to get required information, securization etc. before lending
- Anticipated non-efficiency of claims to guarantors/government entities for processing defaulted customer claims

### **5.3 Challenges related to Farmer based Organizations (FBO)**

During the mission, rice millers like MGF-partners with access to around 5000 farmers as well as training/finance providers for cooperatives were interviewed. Most mentioned by off-takers, training and finance providers was the dysfunctionality of farmer groups leading to unpredictable production, low repayment attitude in case of cash lending and high defaulting of subsidized government loans.

- If only established for the lending/training purpose, the FBO often had too little experience of growing together and not enough time for proper group formation, which resulted in drifting apart in case of any upcoming difficulties. Significantly mentioned for such kind of FBO were a lack of regular meetings and permanently information exchange.
- A generally observation was a lack of good governance, but also a common mistrust in the FBO's management and other members within FBO, but also by other stakeholders in the rice value chain. The average number of FBO members below 30 seems to address the issue of trusting personally known members easier, but misses the economies of scale for joint supply of inputs and machinery (buy or use) and other synergy effects, a bigger group might have addressing issues to policy or advocacy work.
- Considered the long-time experienced attitude of grant-taking from government entities and donors, the stakeholders observed a common lack of commitment by FBO to repay loans given in cash (attitude of taking loans for "granted").
- Under the aspect of bankability and creditworthiness, some draft business models of FBO and MGF-partners were considered to need improvement and support by business development services.
- The lack of linkages and contracts with suppliers, off-takers for example were regarded as dysfunctional value chain approach
- FBO often lacked of necessary equity contribution for investment.
- Poor documentation and record keeping was identified as a reason why FBO have mostly no overview about profitability, cash flow and finance needs
- There was a lack of understanding the lending procedures/requirements on the FBO side as well as general fears connected with non-bankability or bad experience.

### **5.4 Challenges and Opportunities regarding Risk Sharing**

- Existing production risks like weather based production reduce/fallout
- Lack of good Business Development Services (most Business Plans were not convincing)
- Lack of proper financial records, plans, controlling systems, business plans
- Lack of progress documentation after draft business plan
- Question of ability to absorb the loans in profitable businesses
- Risk sharing opportunities by (inter-)national financiers & investment funds: requirements for additional guarantees etc. mostly unknown to stakeholders
- Business Development Service: Need for support to MGF-Partners

### **5.5 CARI's Role**

- Unknown progress and/or result of interventions like Farmer Business Schools (FBS), status of business capacity of MGF-partners: Which communication channels and frequency are used to reach potential finance partners?
- Lack of overview about volumes and structure of investments and/or working capital needs, key figures along the rice value chain and/or specific Business Models
- Lack of involvement of other stakeholders along the rice value chain: input dealers, marketing associations

## 6. Results of the Group Work

For developing approaches and solutions to overcome challenges, risks and gaps accessing finance, the participants formed groups of their interest. The groups were formed under the priority topics: Policy, Financiers, FBO and Risk Sharing Opportunities.

Each of the CARI/SEDIN staff hosted one working group in two subsequent group sessions at another group table:

1. Session on how to address the topics of the findings in order to make projects bankable & finance available, accessible and affordable
2. Session on on way forward, responsibilities and timelines

After the two sessions, the four group representatives reported the results of their group work and proposed intervention on their topic with a brown paper wall:

### Proposed Intervention on Policy Level (Abraham's group)

Challenges	Solutions	Responsibilities	Timeframe for Intervention
<p>Risks and Gaps along the rice value chain:</p> <ul style="list-style-type: none"> <li>• Lack of productivity, mechanization, GAP</li> <li>• Lack of infrastructure for transport</li> <li>• Lower quality of paddy and local produced rice than imported</li> <li>• Non-certified, non-formalized market structures (no off-taker-agreements to ensure market/price)</li> <li>• Unused capacity of mills</li> <li>• No access to available, affordable finance (i.e. no collateral available)</li> </ul>	<p>Policy interventions to fix the gaps along the value chain, i.e. to strengthen:</p> <ul style="list-style-type: none"> <li>• Expressions of interest</li> <li>• Off-taker agreements</li> <li>• Purchase orders</li> <li>• Domination of payment</li> <li>• Farmer friendly land tenor system</li> </ul>	<p><b>CARI</b></p> <p>shall spearhead the establishment of policy representation of all stakeholder on the rice value chain, then engage the government in policy regulation formulation</p>	Now
Lack of evolution of SME's to provide services	Supply side interventions		
Farmers interested in accessing facility to go through Farmer Business School first (which CARI offers by partners)	GAP & FBS		
Import restriction management	Need for a Comprehensive Africa Agricultural Development Programme (minimum % of budget to be put in agriculture on continuous basis)		
Changing government policy	Need for consistent government policy		
Short-term interventions by development programmes	Need for long-term development programmes		



### Proposed Intervention on Financiers' Level (Solomon's group)

The group saw the prospects helpful to reach the intended goal, i.e. the Bank's willingness to lend under CARI, large market, available farm land and a high potential for national GDP regeneration:

Challenges	Solutions	Responsibilities	Timeframe for Intervention
Low presence of local investors in the rice value chain	Introduction of standardized varieties	National Seed Council Certified millers Research Institutions	Distribution in pre-season, standardization as continuous process
	Outgrower schemes with tripartite agreements	<ul style="list-style-type: none"> <li>• Millers -&gt; offtakers</li> <li>• Banks -&gt; financiers</li> <li>• Facilitation -&gt; FBO, farmers -&gt; extension agents, outgrowers</li> </ul>	Pre-season, continuous
Issues of collateral (not available)	Access to viable markets	Millers, wholesalers, retailer, aggregators, input dealers	Harvest, Post-Harvest
Competition between financing agriculture and other businesses	Identify viable segments along the rice value chain for funding		
High risk in agriculture which banks are not willing to take (issues of collateral, trust to FBO, attitude of entrepreneurs, policy)	Government loan guarantee scheme	Government, millers, banks, FBO	Pre-Season, continuous
	CARI to provide some form of security to bridge the gap	GIZ, CARI as start facilitator	Continuous

### Proposed Intervention on Farmer Based Organizations' Level (Yusuf's group)

Challenges	Solutions	Responsibilities	Timeframe for Intervention
Disorganised FBO	Group Formation and Training/Strengthening	CARI Partners	Pre-season
Attitudinal Problems, group cohesion	Capacity Building on conflict resolution, leadership		
Weak FBO Business Model	RIPAN -> Organizational development	Policy Advisors, JAKF Policy Advisors	JKAF to advise
Mistrust	Trust building activities, like contract farming	CARI, RIPAN, RIFAN	Pre-season
Disfunctional value chain approach	Organize VC, linkages		Pre- and post season
Time of FBO Formation	Time of group formation well in advance; timeliness of activities	RIFAN	1 year before actual programme start
Weak agronomic practices	Extension service on GAP	FMARD, SMARD, Development organizations	Troughout the season
Equity contributions: poor documentation & record keepin			
Lack (fear) of understanding the business	Documentation and record keeping training, FBS	CARI, MGF-Partner, Banks	Savings to start 6 mths before programme starts



### Proposed Intervention to utilize Risk Sharing Opportunities (Tunde's group)

Challenges	Solutions	Responsibilities	Timeframe for Intervention
Business Development Service: development support	Sensitization on all financing options	Supply side intervention	
	Banks provide advisory services	Banks	
	Information about Interest Draw Back Programme	Banks	
CARI -> technical support to farmers/millers,	Tube wells (dry season), exchange through services i.e. land clearing	Farmers should be aware that CARI is not a financier, but Banks can represent CARI	
FBS: ToT for experts/trainers	FBS	Governmental/Public Institution, NAMDA, offtakers CSR, IFAd-VCDP	Regularly, monthly
Group formation	Group formation -> cooperatives strengthening	Cooperative department, NAMDA, Financial Institutions	Pre-season, reinfed/dry season
	CARI-> technical support to farmers and millers	GIZ CARI, Cooperative Department of NAMDA, Public Institutions, NAIC, NIRSAL, Agricultural Units of Financial Institutions, freelance consultant	Regularly, can be based on needs

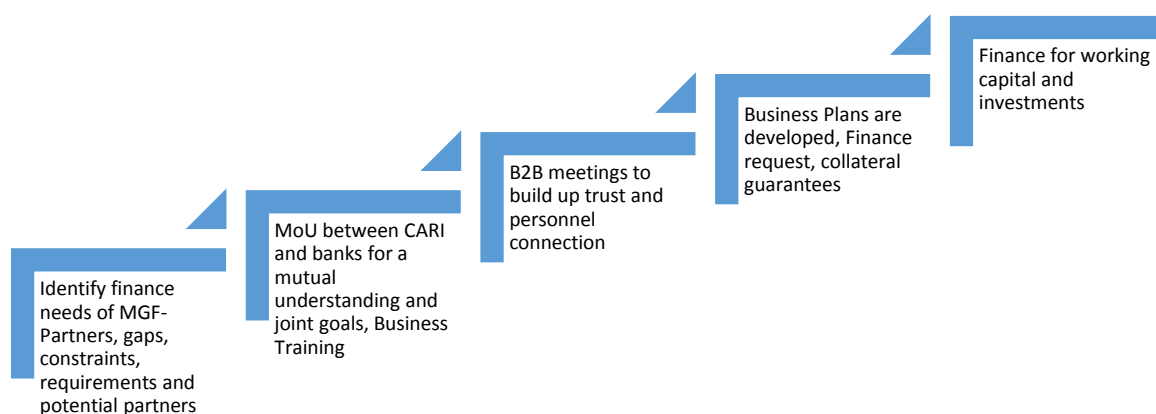


## 7. Conclusions and Recommendations

The conclusion was to conduct the proposed interventions and that CARI could spearhead and guide the different stakeholders.

The Workshop was requested to be organised as a regular (monthly) meeting by CARI, where all participants are updated about news and changes, necessary adjustments could be decided.

For a successful submission of finance requests to banks there should be a step-by-step approach:



## 8. Evaluation of the Mini Workshop

After the conclusions, 71% of participants filled and returned the evaluation form to the Facilitator.

- The Mini Workshop was rated “**good**” to “**very good**” as average in each and all questions.
- 100% of the participants answering confirmed their expectations mentioned under Point 4 herein being fulfilled.

**A selection of the participants’ remarks to five different categories are mentioned below:**

### 8.1 Present or future contribution of the Workshop to the areas of Finance and Rice Value Chain

**Finance:**

- Enhanced access to finance by farmers and providing a changed policy of rice value chain development
- Financier’s curiosity to their place in CARI/GIZ
- Risk sharing in GIZ/CARI programme

## Rice Value Chain:

- View and expectations of the rice value chain actors
- Opening new horizon of rice value chain knowledge opportunities and solutions to some issues
- Realisation that stakeholders should come together for our common goal
- Broadened my knowledge on agricultural project financing in terms of policy, risk, opportunity along the rice value chain programme

### 8.2 Most appreciated features of the Workshop

- Interactive sessions and direct nature of the workshop, team & group work, variety of contributions and suggestions, the networking and the reminder for the meeting was excellent.
- Facilitation and topics discussed in the groups, the facilitations by Anna / the eloquence of delivery and GIZ CARI's initiative, CARI concept note and typical business plan
- We were able to tackle some facts about rice agriculture to the next level in Nigeria

### 8.3 Most mentioned proposals for improving the Workshop

- Longer **duration** of the workshop to one day
- **Invitation** of other stakeholders: representatives from the government, policy makers, full time farmers, major mills, NAIC, agro dealers, stakeholders from other sectors paramount to the rice sector
- **Make it a quarterly activity**

### 8.4 Suggestion for including additional topics

- Agricultural Value Financing and Financial Literacy to the farmers
- Practical modelling of access to finance through working groups
- Practical workings of the value chain actors
- Management of farmers to be business farmers instead of peasant farmers
- Agribusiness
- Insurance as a pillar of agriculture
- How do we save the entire finance from the conflicts between crop farmers and cattle herdsman in Nigeria? Maybe look at the dairy sector development
- Seed technology by NASC/Research Institutes
- Some statistical figures and trends in consumption pattern and capacity growth to give a broader picture and likely attract increased interest in the rice value chain.

### 8.5 Additional remarks of the participants

A summary of the Mini Workshop's evaluation including all remarks made by participants is attached in the Annex. As almost half of the responding participants provided **additional remarks**, here is a random sample:



The concept of CARI is a good idea. I hope to see the Farmer Business School working.

CARI/Anna keep up the good work

The Mini-Workshop was well organised from the B2B to collection of findings. Everyone was carried along.

A very good programme indeed. If implemented to the fullest, it will no doubt cause an importance in the lives of target groups and selected communities. Please ensure its success. Thank you.

RIFAN appreciates the exposure and like Oliver Twist, we want more. May God bless the initiators (GIZ CARI Mission).

The workshop is a very good one and we hope things discussed could be put in a document so that all the partners will identify their areas of responsibility.

The programme is really interesting and relevant. The gaps identified provide opportunities for performed intervention by participants' profitability.

CARI has done well in bringing stakeholders together. Their report is quite informative, comprehensive and encouraging.

Excellent. Generally excellent and a follow-up should be carried out

## List of Annexes

### Annex 1: Programme of the Mini Workshop

Mini-Workshop on Access to Finance - Making of bankable projects -

Tuesday, 11th of August, 9:15 – 15:00 hrs

Venue: Petrus Hotels Royale,

7 Agatu Street, by Gimbiya St. Off Ahmadu Bello Way, Area 11 Garki, Abuja

Host: GIZ, Competitive African Rice Initiative (CARI), Abuja, Nigeria

Time Frame	Formate	Content	Presenter
9:15 – 10:00	<b>Arrival and Registration of Participants</b>	<b>Welcome in ZUMBO Hall of Petrus Hotels Royale</b> With Tea, Coffee & Snacks	GIZ CARI & Anna Lomeling (facilitator)
10:00 – 11:00	Presentation & Discussion	<b>Findings</b> of the GIZ CARI Mission on Access to Finance <b>&amp; Priority topics to work on</b>	Anna
11:00 – 11:15	Plenary session	<b>Selection</b> of topics and groups	Anna
11:15 – 12:00	Group work	<b>Group work (1)</b> on making projects bankable & finance available, accessible and affordable	
12:00 – 12:30	Presentation & Discussion	<b>Group results (1)</b>	Group representatives
12:30 – 12:45	Registration for B2B	<b>Registration for B2B</b> meetings in the following two days, venue: GIZ CARI office*	Anna
12:45 – 13:30	Group work	<b>Group work (2)</b> on way forward, responsibilities and timelines	
13:30 – 13:45	Presentation & Discussion	<b>Group results (2)</b>	Group representatives
13:45 – 14:00	Plenary session	<b>Conclusion &amp; Way Forward</b>	Anna
14:00 – 15:00	<b>Lunch Break</b>	<b>Lunch in the Hotel Restaurant</b>	
15:00	<b>Departure</b>	End of the Mini-Workshop	

\*Offered venue for B2B meetings on 12 – 13/08/2015: CARI - Competitive African Rice Initiative, GIZ, Traoré Crescent, off Thomas Sankara Street, Abuja – Nigeria

## Annex 2: Contact information

### Annex 2.1: Mini Workshop Participants' List

S/N	Name	Organization	Email address	Phone No's
1	A.A. Lawal	North-Central Agro Input Dealer Association (NOCAIDA)	<a href="mailto:Ata.rauffy@yahoo.com">Ata.rauffy@yahoo.com</a>	+234 8102888919
2	Abraham Odoom	John A Kufuor Foundation	<a href="mailto:adoayas@kufuorfoundation.org">adoayas@kufuorfoundation.org</a>	+234 7052225141
3	Ahmed E. Ahmad	Keystone Bank	<a href="mailto:AhmedIbrahim2@keystonebankng.com">AhmedIbrahim2@keystonebankng.com</a>	+234 8033612247
4	Amodu Achema	Ajifa Rice Mill, Idah, Kogi State	<a href="mailto:amoduachem@hotmail.com">amoduachem@hotmail.com</a>	+234 8033110639
5	Andy Ekwelem	Ebony Agro Industries Limited	<a href="mailto:emeka_ekwelem@yahoo.com">emeka_ekwelem@yahoo.com</a>	+234 8055479254
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9	Audu Usman	IFAD Niger State VCDP	<a href="mailto:grace_ahmed@yahoo.com">grace_ahmed@yahoo.com</a>	+234 8034373253
10	Biodun Onalaja	Hyst Global Business Ltd.	<a href="mailto:biodun.onalaja@hystglobal.com">biodun.onalaja@hystglobal.com</a>	+234 8055232776
11	Daniel Tsado	Bejin-Doko Microfinance Bank Ltd, Doko	<a href="mailto:Dan_tsado@yahoo.com">Dan_tsado@yahoo.com</a>	+234 8036017988
12	Edward Mba	Rice Farmers Association of Nigeria (RIFAN)	<a href="mailto:Edwards.mba@rifan.org">Edwards.mba@rifan.org</a>	+234 8173894599
13	Fashila Abiodun	Ajifa Rice Mill	<a href="mailto:abfashy@yahoo.co.uk">abfashy@yahoo.co.uk</a>	+234 7031523232
14	Godfrey Sunday	Niger State Rice Investment Consortium (NSRIC)	<a href="mailto:ukpelekoshe2000@yahoo.com">ukpelekoshe2000@yahoo.com</a>	+234 7051700724

S/N	Name	Organization	Email address	Phone No's
15	Ibrahim M. Alamba	Bank of Agriculture, Niger State, Minna	<a href="mailto:ibrahimanalamba@hotmail.com">ibrahimanalamba@hotmail.com</a>	+234 7055124335
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28	Tunde Abdulkareem	GIZ-SEDIN, Minna	<a href="mailto:Tunde.Abdulkareem@afci.de">Tunde.Abdulkareem@afci.de</a>	+234 8058054208
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## Annex 2.2: Further Distribution List of the Mini Workshop Report

As requested by the following stakeholders

S/N	Name	Organization	Email address	Phone No's
1	Adegoke Oduguwa	ECOBANK Plc.	<a href="mailto:aoduguwa@ecobank.com">aoduguwa@ecobank.com</a>	
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5	Chiko A. Abubakar	BRASS Microfinance Bank Ltd., Niger State, Bida	<a href="mailto:chikoabu@yahoo.com">chikoabu@yahoo.com</a>	+234 8069750255
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7	Lulu Walafa	Bank of Industry	<a href="mailto:rwalafa@boinigeria.com">rwalafa@boinigeria.com</a>	+234 8023096473
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9	Olowookere M. Wole	Edumana Microfinance Bank Ltd., Niger State, Bida	<a href="mailto:olowomkfutmf@gmail.com">olowomkfutmf@gmail.com</a>	+234 8093741850
10	Robert O. Omogbeminyi	First Bank of Nigeria	<a href="mailto:Robert.omogbeminyi@firstbanknigeria.com">Robert.omogbeminyi@firstbanknigeria.com</a>	+234 8022250110
11	Uriah B. Tsado	Bayetin Micro Finance Bank (Nig.) Ltd., Niger State, Bida	<a href="mailto:mituriah@gmail.com">mituriah@gmail.com</a>	+234 7060936868

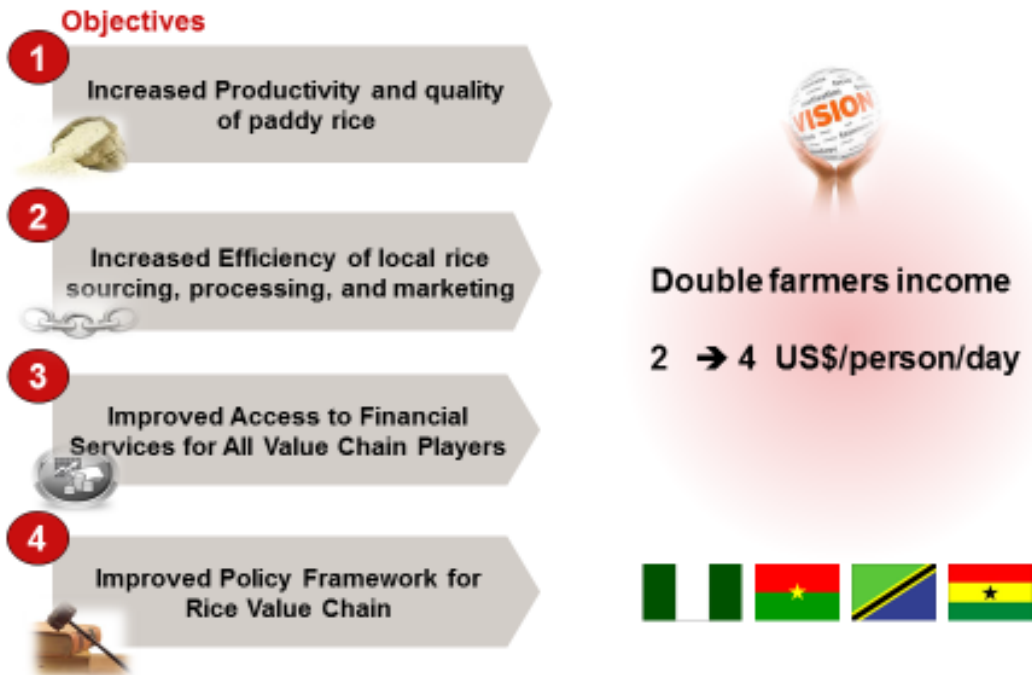
## Annex 3: Presentation: Findings of the Access to Finance Mission



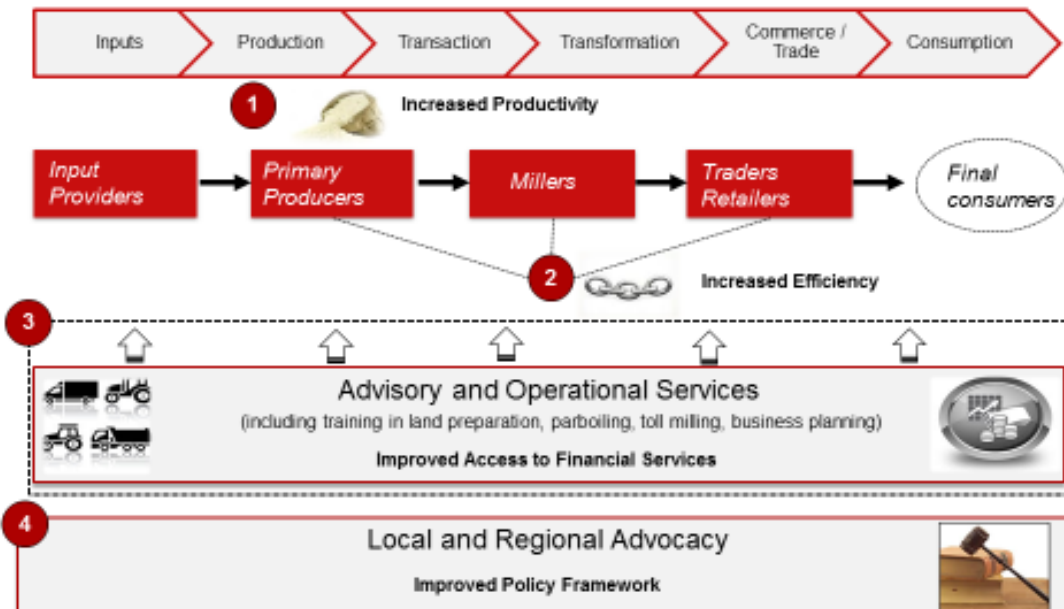
### Agenda

- About CARI
- Objective of the Mission on Access to Finance
- Interviews conducted
- Findings of the Mission
- Priority topics to work on
- Selection of topics and groups

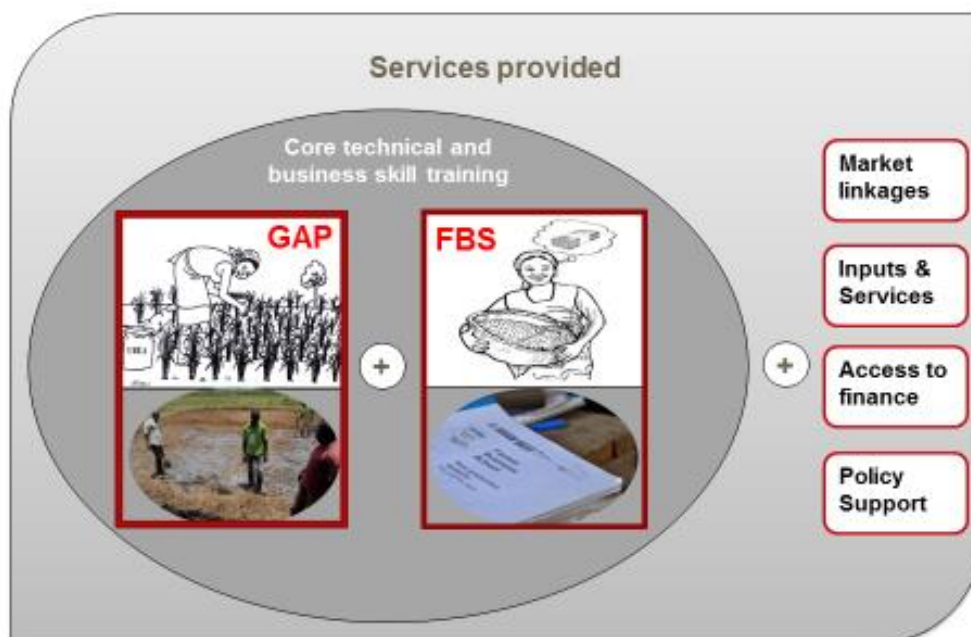
## CARI seeks to impact 120,000 farmers in 4 countries until 2017



## CARI offers unique services across the entire rice sector



The combination of technical and business skills training boosts profitability for farmers



## Objective of the Mission on Access to Finance

- Support to access to finance for MGF-partners
- Conception of bankable projects
  - Requirements for successful submission
  - Improved mutual understanding
- Guide the relationship between banks and CARI on access to finance (Memorandum of Understanding)



## Mission on Access to Finance: Interviews conducted

Banks/ Financiers	MFB in Bida	Risk sharing and other providers	Millers
First Bank of Nigeria	Bejin-Doko	NAMDA	Ajifa Rice Mill
Union Bank	Bayetin	NIRSAL	Onyx Rice Mill, Bida
Unity Bank	Edurana	Oikocredit	Hyst Global Business Ltd.
Fidelity Bank	BRASS	NRIC	WACOT
Bank of Agriculture			
Keystone Bank			
Ecobank			
Bank of Industry			

## Findings of the Mission on Access to Finance: Policy level

- Gaps along the rice value chain, instable economy
- High risks for lenders along rice value chain
- Lack of functional Business Development Services

## Findings: Risk sharing opportunities

- Accessing risk sharing funds and refinancing is complex and takes time

### **Findings: Farmer based Organization level**

- Dysfunctional smallholder producer groups
- Lack of producers' commitment to repay loans, lack of financial statements, viable business plans
- High interest rates in lending, advance/deposit banking before lending – profitability?
- Capacity of absorbing the loans in businesses?
- Not all millers want to engage in pre-financing inputs
- No overview about investments, finance, requirements

### **Findings: Financier's level**

- Gaps along the rice value chain, instable economy
- High risks for lenders along rice value chain
- Absolute demand for risk-sharing by lenders
- Anticipated non-efficiency in processing claims by existing risk-sharing facilities
- Unknown progress of GIZ CARI interventions/impacts
- High transaction costs for banks before lending

### **Priority topics to work on (working groups)**

- Policy level
- Financier's level
- Farmer based Organization level
- Risk sharing opportunities

### **Priority topics to work on**

- GIZ-CARI/training providers:
  - Building of functional farmer groups
  - Business Model/Plan/Project Development for MGF-partners of CARI
  - More partners to prepare for proposals to banks
  - Regular progress communication with partners
  - Trust building activities between partners

## Annex 4: Mini Workshop Evaluation

### Annex 4.1 Evaluation Summary

Key Figures	Total number	Percentage	Thereof female	Thereof GIZ
Participants	29	100%	4 (14%)	6 (21%)
Evaluation Forms Returned	20	71%		
Expectations fulfilled	20	100%		
Overall rated	3,4 of max. 4 points = “good” to “very good”			

#### Evaluation in particular

##### The workshop has contributed / will contribute to the following areas:

##### Finance:

- Good business financing models; Access to Finance; Enhanced access to finance by farmers and providing a changed policy of rice value chain development
- Will contribute in making agric biz especially rice bankable
- Financier’s curiosity to their place in CARI/GIZ
- Knowledge of policy formation, risk sharing opportunities in rice value chain financing
- Risk sharing in GIZ/CARI programme

##### Rice Value Chain:

- Understanding of the players of rice value chain and their roles; Proper definition of the rice agro value chain and the contents
- View and expectations of the rice value chain actors
- Opening new horizon of rice value chain knowledge opportunities and solutions to some issues
- Farmer Based Organisations’ role
- Realisation that stakeholders should come together for our common goal
- To develop a mechanism between the different stakeholders based on proper contracts, understanding and trust building and the ultimately benefitting the farmers
- Rice organizations, area of value financing
- Alternative to tube wells
- Training, Technical support to farmers/millers
- Broadened my knowledge on agricultural project financing in terms of policy, risk, opportunity along the rice value chain programme
- Awareness, identifying the opportunities and bringing stakeholders to push an agenda of increasing production in Nigeria
- A way forward

## 1. What did you appreciate most in the workshop?

### Team & group work, networking:

- Team work and participation of all, good contributions by group involvement by all present
- Group discussions/presentations and variety of contributions and suggestions, group work
- Cooperation of participants, sharing of ideas, cross selling
- The Group work were heart knowledge and expressions are freely shared for a way forward.
- There were contributions from almost every stakeholder, they spoke openly about the issues and solutions. At the time the discussion was on the topic and some very good questions were raised and answered.
- Interactive

### Facilitation:

- Facilitation and topics discussed in the groups
- The facilitations by Anna and the eloquence of delivery
- Anna's presentation on findings, the approach by Anna and GIZ CARI's initiative

### Others:

- Candid view and opinions of participants
- We were able to take facts about rice agriculture to the next level in Nigeria
- The networking and the reminder for the meeting was excellent
- The environment
- The direct nature of the workshop
- CARI concept note
- Typical business plan

## 2. What should be improved?

### Duration, Day:

- Longer **duration** of the workshop to one day (frequently mentioned)
- The Mini Workshop should be scheduled for weekends mostly Saturday

### Invitations:

- It was fantastic, although some representatives from the government would have been added some more value
- I will wish the full time farmer is also invited so that their feelings could be expressed on some matters
- Major mills, NAIC, Agro dealers, stakeholders from other sectors paramount to the rice sector should be invited; involve **policy makers** in the workshop

### Others:

- More **technical issues** should be addressed
- **Arrangement** of chairs and tables (old dying chairs)
- Implementation
- Basically is the funding aspect of doing agriculture as a viable business
- Communication to participants on group exercise
- Look beyond the conventional approach to individual

### 3. How do you suggest improving the workshop?

#### Duration of workshop, timing of sessions:

- More than half a day, more practical issues relating to working of the value chain actors
- The working group presentations should be properly in time
- Travelling days should not be the workshop day. Participants from distant places needed to arrive a day earlier. Accommodation could be secured for the participants.

#### Invitations:

- Invitations of stakeholders (at least 2 participants in each sector of the value chain), more diverse actors and stakeholders, representatives of the federal ministry of agriculture
- Next time to bring the key people on board convincing the banks
- There should be an avenue of interaction between the millers and the banks

#### Others:

- Findings should have been sent earlier
- Maybe problems or issues should be emailed to participants before the next meeting or workshop so as to have adequate data and info on preferred solutions
- More workshop demonstrations (participants teaching others)
- A bit of technology approach in farming in order to attract younger generation who may be taking over from us
- **Make it a quarterly activity**

### 4. Which additional topics should be included?

- Agric Value Financing and Financial Literacy to the farmers
- Practical modelling of access to finance through working groups
- Practical workings of the value chain actors
- Management of farmers to be business farmers instead of peasant farmers
- Agribusiness
- Insurance as a pillar of agriculture
- How do we save the entire finance from the conflicts between crop farmers and cattle herdsmen in Nigeria? Maybe look at the dairy sector development
- Seed technology by NASC/Research Institutes
- Some statistical figures and trends in consumption pattern and capacity growth to give a broader picture and likely attract increased interest in the rice value chain.

## 5. Remarks:

- The market as one of the major areas of the rice value chain shall be captured, because without market, the millers will be out of production.
- Overall, the workshop achieved over 80% of the aim. It's a take home knowledge based on interactive session and facilitator's delivery.
- The concept of CARI is a good idea. I hope to see the Farmer Business School working.
- Good workshop!
- CARI/Anna keep up the good work
- The Mini-Workshop was well organised from the B2B to collection of findings. Everyone was carried along.
- A very good programme indeed. If implemented to the fullest, it will no doubt cause an importance in the lives of target groups and selected communities. Please ensure its success. Thank you.
- RIFAN appreciates the exposure and like Oliver Twist, we want more. May God bless the initiators (GIZ CARI Mission).
- Excellent. Generally Excellent and a follow-up should be carried out.
- The workshop is a very good one and we hope things discussed could be put in a document so that all the partners will identify their areas of responsibility.
- Well-co-ordinated.
- It's a good workshop, interesting getting inputs from various stakeholders. Need for the model to be put in place in good time so as to make considerable progress in CARI
- The programme is really interesting and relevant. The gaps identified provide opportunities for performed intervention by participants' profitability. CARI has done well in bringing stakeholders together. Their report is quite informative, comprehensive and encouraging.

## Annex 4.2 Evaluation Form



Supported by:



BILL & MELINDA  
GATES foundation



<b>Mini-Workshop on Access to Finance - Making of bankable projects - Tuesday, 11th of August, 9:15 – 15:00 hrs, Petrus Hotels Royale, Abuja, Nigeria</b>				
1. Are your expectations fulfilled? <input type="checkbox"/> Yes <input type="checkbox"/> No				
2. The workshop has contributed / will contribute to the following areas:				
<b>3. The following</b>	<b>1 Bad</b>	<b>2 Somehow good</b>	<b>3 Good</b>	<b>4 Very good</b>
<b>1. Welcome</b>				
<input type="checkbox"/> Registration by GIZ CARI	1	2	3	4
<input type="checkbox"/> Welcome by the facilitator (Anna)	1	2	3	4
<b>2. Presentation &amp; Discussions of Findings</b>				
<input type="checkbox"/> Collection of Expectations	1	2	3	4
<input type="checkbox"/> Presentation of findings of the GIZ CARI mission	1	2	3	4
<b>3. Selection of topics and groups</b>				
<input type="checkbox"/> Selection of topics for group work	1	2	3	4
<input type="checkbox"/> Formation of groups	1	2	3	4
<b>4. Group work (1)</b>				
<input type="checkbox"/> Group work	1	2	3	4
<input type="checkbox"/> Group presentations by representatives	1	2	3	4
<b>5. Registration for B2B meetings</b>				
<input type="checkbox"/> Organisation to register B2B meetings	1	2	3	4
<b>6. Group work (2)</b>				
<input type="checkbox"/> Group work	1	2	3	4
<input type="checkbox"/> Group presentations by representatives	1	2	3	4
<b>7. Conclusion &amp; Way Forward</b>				
<input type="checkbox"/> Results of the group work	1	2	3	4
<input type="checkbox"/> Way forward	1	2	3	4
<b>4. How did you appreciate the:</b>				
Facilitator (Anna)	1	2	3	4
work group host: _____ (name)	1	2	3	4
Were the right people invited for the workshop?	1	2	3	4



## Annex 4.2 Evaluation Form

Continuing from page 1: 3. The following	1 Bad	2 Somehow good	3 Good	4 Very good
<b>5. How did you appreciate the:</b>				
facilitation?	1	2	3	4
meeting room?	1	2	3	4
catering?	1	2	3	4
duration of the workshop?	1	2	3	4
<b>6. What did you appreciate most in the workshop?</b>				
<b>7. What should be improved?</b>				
<b>8. How do you suggest improving the workshop?</b>				
<b>9. Which additional topics should be included?</b>				
<b>10. Remarks (please use an additional paper if necessary):</b>				

## **Annex 5: Guidelines Business Planning**

(provided by GIZ CARI, dated 10/08/2015)

**A typical business plan should have the following sections or chapters:**

### **1. Introduction**

- Give background information on what led to the project i.e. the motivation / inspiration and prompts.
- Profile of the promoters – is it an existing business or a start up? Is it registered? What is the share capital / equity and who are the shareholders? Who are its directors? If not registered, give the provisional profile of the promoters.

### **2. The Project**

Describe the core activities, vision, mission, goals and strategic focus and models for the proposed project in terms facilities & capacities. Review the current and proposed activities & strategies of the project; comment on the feasibility and viability of these activities & strategies; and make recommendations if and where necessary. Report your findings in the pattern outlined below:

### **3. Commercial Aspects**

#### **3.1. Marketing**

- i) The products i.e. good and services of the project
- ii) Target market – geographical area to be covered & potential customers therein
- iii) Competition & supply gap to be filled by the project
- iv) Marketing strategies – structure, staffing, processes, tools etc.

#### **3.2. Procurement**

Suppliers of stock / raw materials and procedures are to be deployed.

### **4. Technical Aspects**

- i) Buildings & Infrastructural needs i.e. factory / warehouse buildings, water, electricity, telecoms, firefighting & security gadgets etc. Are they existing or to be constructed / procured? If existing, what is their condition? Do they require rehabilitation?
- ii) Plant and machineries i.e. processing equipment. Are they existing or to be procured? If existing, what is their condition? Do they require rehabilitation?
- iii) Motor Vehicles – delivery vans, cars etc. Are they existing or to be procured? If existing, what is their condition? Do they require rehabilitation?
- iv) Technical manpower required – food technologists, engineers, technicians, factory operators, drivers etc.

## 5. Management / Administration Aspects

- i) Manpower requirements for Finance & Accounting, Human Resource, General Administration etc.
- ii) Arrangements for non-technical support services – security & fire fighting, cleaning, waste disposal etc.
- iii) Draw up an organogram for the project to describe the hierarchy and flow of authority, duties and responsibilities.

## 6. Financial Aspects

- i) Project Cost estimates & financing plan – include costs already incurred and additional costs to be incurred for rehabilitation, new construction / procurement of buildings, infrastructure, equipment, planning etc. Propose a financing plan – possibly a mix of equity (from the promoter & its partners) and credit facilities.
- ii) Postulate some assumptions on the financial costs, income and expenditure of the project.\*
- iii) Prepare projected financial statements (Balance Sheet, Profit & Loss Account, and Cash flow Statement) for say 5 years and analyse i.e. break-even, Net Present Value, Internal Rate of Return etc.

## 7. Socio-Economic Aspects

Describe the impact of the project on the physical environment, social environment (women, youths, poverty etc.), and the national economy generally.

### **\*Assumptions may include estimates of:**

1. Business volume i.e. amount of products (goods and services) generated by the project, say for months 0-6, 7-12, 13-24 and years 3-5 etc.
2. Operational income – from various product lines
3. Operational expenses –from various product lines
4. Staff Costs – salaries & allowances, training, medical, meals etc. These should be based on a staff schedule that should correlate with levels of operations.
5. Other administrative expenses – rent, water & electricity, motor vehicle running & maintenance, stationery & office consumables, telephone, insurance, bank charges, marketing, facility management – cleaning, security & fire fighting, waste disposals etc., professional fees, statutory etc.
6. Depreciation and provisions for asset replacement.
7. Inflation.
8. Taxation etc.

## **Annex 6: Concept Note for Project financing for GIZ – CARI partners in Nigeria**

### **1.0 Background**

#### **1.1 Key GIZ-CARI Program Information**

The Competitive African Rice Initiative (CARI) is a development program funded by the German Ministry for Economic Cooperation and Development (BMZ), the Bill and Melinda Gates Foundation (BMGF) and a consortium of other international private and public sector partners (e.g. Walmart Foundation, Syngenta Foundation, AGCO and Bayer Crop Science) agreed to co-finance CARI's Matching Grant Fund or specific training activities.

#### **1.2 Key Goal / Objective & Mechanism**

CARI's key goal / objective is to improve the livelihood of the rural poor by increasing the competitiveness of domestic rice supply to meet increasing regional demand. The overarching CARI strategy builds on the identification, optimization and expansion of sustainable business models that integrate small-scale rice producers. CARI aims to benefit at least 120,000 African male and female rice producers with an income below US\$2/day in Burkina Faso, Ghana, Nigeria and Tanzania and to raise their income from farming through increased productivity, improved quality, value addition, and better market linkages.

**The minimum expected farmer beneficiaries from these countries are:**

- **Burkina Faso – 10,000**
- **Ghana – 30,000**
- **Nigeria – 50,000 and**
- **Tanzania – 30,000**

**As an affirmative action on enhancing gender balance, at least 30% of the beneficiaries should be females.**

The main strategy of CARI is to promote the insertion of male and female smallholders into competitive rice value chains, through which market demand and price signals stimulate improvements of production practices which generate productivity and income gains for smallholders. CARI also works towards the diversification of farmers' income sources, through the stimulation of economic activities that are either related or complementary to the rice economy. These include, for instance, rice threshing, winnowing, parboiling, drying and processing, rice trading, palm oil processing, production of rice-based animal feed, cultivation of vegetables (e.g. okra, melon, pepper, tomatoes) and pulses on unused agricultural land, and fish farming and processing etc.

CARI's central philosophy rests on the conviction that farmers require technical and business development support to enhance the profitability of their businesses or kick-start new production activities. They need to acquire a clear understanding of technology costs, expected returns and optimal level of utilization as well as information on technology availability and facilitation in accessing finance to undertake the investment.

**Therefore, the main instruments through which CARI operates are:**

- **Human Capacity Development (HCD) activities**, facilitated by
- **Matching Grant Fund (MGF) - endowed at present with \$8.7 Million**

Human Capacity Development activities entail trainings, knowledge-sharing events, multi-stakeholder workshops and other capacity building measures which aim to enhance the technical, business, advocacy or policy-related capacities of the stakeholders operating in rice value chains. HCD measures addressed to smallholders encompass two main types of training: **Good Agricultural Practices (GAP) and Farmer Business Schools (FBS)**.

The two training “packages” are promoted via our partners’ projects to combine technical training (on production techniques, agricultural inputs and technologies), and good management practices of the farm enterprise (which address the basics of farm economics – how to estimate and relate land size to input costs, investment needs and returns, profitability etc.). In addition, CARI provides nutrition training for households to establish a more balanced diet. All these are aimed to raise farm level productivity / yields and incomes, leading to sustainable rural economic empowerment and poverty reduction.

The MGF makes grants to co-finance project proposals aimed to enhance the participation of smallholder rice farmers in competitive business models. The grantees include public and private sector organizations as well as non-profit civil society organizations, or an alliance of these actors. Project proposals submitted by private sector organizations receive a 40% grant financing while 60% of costs are covered by the applicant.

Project proposals submitted by the public sector or non-profit civil society organizations receive a 50% grant financing while the remaining 50% of costs are covered by the applicant. The maximum grant that can be given to any project is 200,000 Euro. The project proposals are screened according to a set of criteria which encompass outreach, innovativeness, sustainability, effectiveness, efficiency and scalability of the proposed initiative.

Applicants are encouraged to envisage measures which also enhance participation and benefits for women operating in rice value chains.

**The other instruments of CARI are:**

- **Technical, Organizational and Business Advisory Services (TOBAS) to value chain actors**
- **Policy Advisory / Advocacy Support to value chain actors**

CARI supported projects places emphasis on the identification of farmer cooperatives, associations or groups who can be vehicles for the delivery of technical and business support to their members. In so doing, CARI aims to enhance competences, leadership and advocacy capacities of organizations representing farmer interests.

### 1.3 Rationale for promoting access to finance to support Agribusiness

CARI's activities in summary – the trainings, advisory services, policy advocacy etc. are aimed at promoting viable business models that engenders the development of rice value chains. The gains of these activities will come to naught if the supported farmers and other value chain actors are not able to replicate the knowledge transferred on their farms and businesses; and such replications require financing. CARI does not have the mandate and the resources to finance projects beyond trainings and demonstration of technical packages but the program recognizes the strategic importance of creating opportunities for a “kind of post-training funding arrangement” by other parties who provide various types of financing in their course of business is to do so – as the trainings would have provided some level of de-risking.

Therefore, an important component of CARI's intervention is facilitating Access to Finance for farmers and other value chain actors. To implement access to finance related support, CARI has developed a protocol for use under its operational instruments. The protocol will seek to broaden the concept of project financing among stakeholders by facilitating support from both the demand and supply sides i.e. on the farmers and other value chain actors' side; and on the bankers and other capital providers' side. Key aspects covered by CARI's Access to Finance protocol include:

#### a) Demand side interventions:

- *Business development support* – support to farmers and other actors in the value chain to identify cost-effective technology solutions (quality inputs, machinery, equipment) to upgrade their operations, calculate investment needs and profitability (business planning).
- *Sensitization on all financing options* – making farmers and other value chain actors aware of all the options they have to finance projects is an important form of assistance because many think of financing in terms of getting bank loans only.
- *Mobilization on easy reach financing* – farmers and other value chain actors can be led into harnessing their own resources or combining informal resources (in the family and among friends) and formal resources (in cooperatives and groups) that are low hanging to finance their activities. This is sometimes called the self-help approach.
- *Facilitation of borrowing* – farmers and other value chain actors can be assisted by introducing them to financiers (relationship brokering) and helping them to meet the financier's terms – outlining their business cases (e.g. preparing feasibility / business plans / cash flows), business incorporation, completion of application forms and other documentation, arranging collateral etc.
- *Management support* – farmers and other value chain actors can also be assisted by sensitizing them on the need to run their affairs properly to ensure that accessed funds are used as agreed with the financiers i.e. records are kept, loans serviced and repaid, dividends paid in case of equity financing, produce supplied as agreed in case of buyer's credit etc. This is important because it will make them promise keepers, opening up more financing opportunities for expanding operations.

**b) Supply side interventions:**

- *Policy advocacy* towards government institutions, in order to facilitate the design or re-orientation of incentives and subsidy schemes (deployed either directly upon application by value chain actors or through the formal financial system) tailored on the needs of the value chain and minimizing market distortions (e.g. subsidization of given percentage of purchase costs for inputs and new machinery; reduced interest rate on agricultural loans etc.).
- *Provision of funds* to farmers and other value chain actors via CARI's MGF & other grants.
- *Facilitation of value chain embedded finance* (buyer credits / supplier) by linking farmers to processors / off-takers / input dealers and coaching the latter in the elaboration and implementation of corresponding business models.
- *Facilitation* of access to bank loans, equities / venture capital based on their existing portfolio of financial products.
- *Brokering linkages* with agricultural investment funds which (1) provide equity at favorable terms and/or (2) finance banks / intermediaries that extend loans with favorable interest rates and repayment terms to producers / processors.
- *Facilitation of the provision of collateral* for farmers and other value chain actors to borrow e.g. guarantees as security for loans via Central Bank of Nigeria's Nigerian Incentive based Risk Sharing for Agricultural Lending (NIRSAL); other state farmer credit guarantee programs etc.
- *Facilitation of the provision of business comfort* to farmers and other value chain actors by getting other parties in transactions to make business commitments that facilitate lending (but are not guarantees legally) such as expressions of interests to buy or supply products, off-take agreements, written purchase orders or notes, domiciliation of payments etc.
- *Product development assistance* for banks (development, commercial and micro finance banks) and other non-bank financiers to tailor their services to meet their customers' needs and acceptance.
- *Facilitation of lending* - banks and other non-bank financiers can be assisted by introducing them to enterprises or cooperatives needing financing (relationship brokering).
- *Management support* - banks and other non-bank financiers can be assisted to set up and run agricultural financing desks / units. Such support can be directed at policy formulation; procedure / processes involved in appraisal, credit administration (for banks) & portfolio management (for venture capital or grant funds); staff training etc.

CARI has rolled-out several initiatives on both forms of interventions.

Consultants have been engaged to provide various forms of demand side interventions, for instance on contract farming, business models, relationship brokering with financiers and accounting & records keeping.

A typical matching grant contract has provision for business plan support to processors. Meetings with potential capital providers are ongoing on the supply side – leading to in-principle understanding with potential partners to provide financial services, even if on pilot scales.

Some of CARI's potential financial services partners have asked for concept note(s) to outline the possible nature of financing required to enable them identify appropriate products and to seek approval of their institutions. This concept note is developed as a generic guide to our partners in this regard.

## **2.0 Typical financing needs of CARI project partners**

While all CARI project partners have diverse funding needs in line with their specific business models; their financing will fall under the following heads:

### **a) Working capital support for rice value chains, i.e.:**

- Input financing for small scale farmers to produce paddy
- Input (raw material) financing for processors to buy paddy from farmers for milling
- Stocking facilities for traders to buy milled rice from processors

### **b) Capital expenditure (Capex) financing for processors to expand their facilities and operations, i.e.:**

- To upgrade their methods e.g. adding parboiling, packaging, destoning, drying etc. units
- To upgrade their installed capacity e.g. adding milling lines, changing equipment etc.
- To diversify activities e.g. starting an aggregation centre etc.

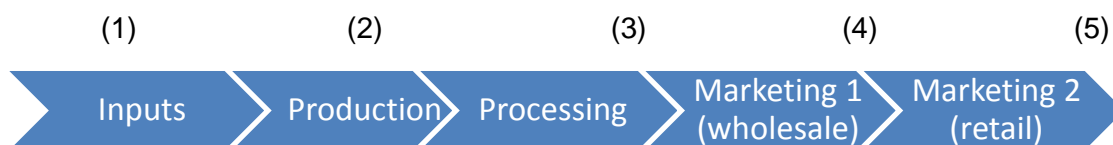
### **c) Equipment financing for mechanization service providers i.e.**

- Smallholder / mobile equipment e.g. threshers, winnowers, dryers etc. for individuals or cooperatives
- Setting up of farm service / tractor hiring centres etc.



## 2.1 Structuring Working Capital Support for a hypothetical Rice Value Chain project

A typical rice value chain map looks like the figure below:



Following discussions with a cross section of partners, the architecture of a generic working capital financing package for a hypothetical CARI MGF project will be a revolving advance to support series of back-to-back, self-liquidating, 6-month seasonal transactions involving all actors but primarily targeted at the actors in activities 2, 3 and 4 as borrowers. The loan required and indicative cash flows in such a value chain looks like the table below:

Activity 1	Activity 2	Activity 3	Activity 4	Activity 5
<b>Inputs supply</b>	<b>Production</b>	<b>Processing*</b>	<b>Wholesale trade</b>	<b>Retail trade</b>
Suppliers of good quality seed, fertilizers & agrochemicals	Out-growers (5,000 smallholder farmers) with average farm size of 1 ha and expected harvest of 3 Mt each	Messrs. XYZ Rice Mills Limited – key assumption is that this miller has installed milling capacity to absorb all paddy from actors under activity 2 (but this may not always be the case)	Distributors to various retail outlets e.g. open markets, supermarkets, department stores etc.	Retailers in various open markets, supermarkets, department stores etc.
Not directly part of the loan arrangement but the loan is used to pay for inputs required by farmers to produce paddy	Loan required: About N500m to buy inputs from actors under activity 1	Loan required: About N1b to buy paddy from actors under activity 2. This will be used to repay the loan to farmers under activity 2	Loan required: About N1.5b to buy milled rice from actor 3 – used to repay loan to processors under activity 3	Not directly part of the loan arrangement but purchases by these retailers will be used to finally repay the loan to complete each transaction cycle
	Expected sales proceed: About N1.b	Expected sales proceed: About N1.5b	Expected sales proceed: About N1.8b	
	Profit margin (before interest on loan): at least N520m	Profit margin (before interest on loan): about N500m	Profit margin (before interest on loan): about N300m	

*\*Note that the processor can be a rice miller, paddy aggregator or seed company i.e. any off-taker*

### 3.0 Roles / Responsibilities of parties

#### 3.1 GIZ-CARI

1. Training of farmers and provision of advisory services to value chain actors engaged in CARI MGF projects.
2. Provision of access to finance support to farmers and value chain actors as stipulated in section 1.3 above.
3. Introduction of the value chain projects to financiers.
4. Monitoring and evaluation of value chain project activities.

#### 3.2 Financier

1. Selection of CARI projects of potential interest for financing from time to time.
2. Development of financial products, the lending terms / requirements, and procedure for loan application for the selected projects.
3. Appraisal of loan applications, disbursement and credit administration.

### 4.0 List of CARI MGF projects

Below are the grantees that CARI has concluded MGF partnership arrangements with as at July 2015 (note that this list will be updated from time to time as more projects are in the pipeline):

S/No.	Project / Grantee	No. of farmers	Location / State	Remarks
1	Ajifa Rice – cottage miller	5,000	Kogi	Started July 2014
2	NSRIC – value chain facilitator	5,000	Niger	Started July 2014
3	Hyst Global – cottage miller	5,000	Kogi	Started July 2015
4	NAMDA – public sector extension agency	5,000	Niger	Started July 2015
5	WACOT Ltd. – large scale miller	5,000	Kebbi	Started July 2015
<b>Total No. of farmers supported already</b>		<b>25,000</b>	<b>All of the above</b>	<b>As at July 2015</b>
<b>No. of farmers to be supported by pipeline projects</b>		<b>25,000</b>	<b>To be determined after grant appraisal</b>	<b>Expected to start by 2015 dry season</b>

### 5.0 Way Forward / Next Steps

1. Financial services partner to review and accept / comment on this concept note
2. Financial services partner and CARI to agree on a final concept note
3. Signing of a Memorandum of Understanding to guide the collaboration

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