



SOMBREIRO KAPITAL

Monitoring & Evaluation Report

Quarter Four :
October - December 2020



Sombreiro Kapital Ltd/Gte

This section shows key achievements in Quarter 4 of 2020 for the initiative implemented under the Sombreiro Kapital.

Sombreiro Kapital (SK) was incorporated to sustainably unlock funding for small-holder farmers in the Niger-Delta through partnerships with core market players (financial institutions, farm associations, input dealers, Fabricators, and other development partners) and support market actors (Service Providers)/ The company's overarching goal is hinged on the provision of unique incentives to partners which systematically increases demand and supply of finance.

The strategic impact of the intervention is to significantly increase the profit margin for smallholder farmers through the facilitation of cost-effective loans with the support of various enlisted partners. The intervention significantly relies on the experience of service providers to facilitate the training of farmers, identification of bankable

farmers, and facility monitoring following loan disbursement.

For the period under review, the intervention subjected a total of 117 received loan applications to a second level appraisal using industry-based selection criteria which are unique to smallholder farmers. This is to ensure the recommendation of only efficient farmers to the lending bank for loan consideration.

Due diligence was also carried out on all Smallholder farmers who scaled through the second level appraisal exercise of SK in a bid to verify their profile and the existence of the farms earmarked for funding. At the end of the appraisal exercise, 73 smallholder farmers were adjudged to be viable by the credit review committee; these efficient farmers were subsequently recommended to the lending Bank for final loan appraisal.

Within the reporting period, the intervention received approvals for 28 loans valued at 13,223,732 Naira from the lending bank; loan disbursement is expected to commence in January 2021. Table 5 below provide the break down.

Table 5. Distribution of outreach activities in Q4 2020

	Delta	Ondo	Bayelsa	Total
Volume of loans facilitated to fish farmers	5,417,847	2,407,932	0	7,825,779
Volume of loanV faciliWaWeT Wo PoulWry farmed	624,972	999,968	0	5,407,900
Volume of loanV faciliWaWeT Wo Palm OiD ProceVVorV		0	0	0

Efficient Risk Management Activities for Improved Sustainability

Sombreiro Kapital is expected to be sustainable; this is to ensure business continuity irrespective of changes in the operating environment which determines business performance. Going by the above, the intervention designed various activities aimed at promoting business continuity and mitigating the possibility of loan default due to credit, market, and liquidity risk. Some of these activities are detailed below:

- o Due diligence on smallholder farmers earmarked for support: Following the recommendation of smallholder farmers to the intervention by enlisted service

providers, SK commenced appraisal of all received applications in an attempt to ensure only efficient farmers are recommended to the lending bank to forestall credit risk which crystallizes when inefficient farmers receive loans. Also, the farms of 45 successful loan applicants were visited by the SK team in Delta and Bayelsa states; In the course of the visit, it was observed that a seasonal annual flood usually submerge homes and farms of some potential loan beneficiaries in Bayelsa state.

Based on the above, a downward review of the proposed loan tenor was implemented

for potential loan beneficiaries whose farms are susceptible to flooding in a bid to ensure farmers only access funding only when it can be utilized

- o Facilitating Access To Market For Loan Beneficiaries: Following the expected disbursement of loans throughout the year, it was expedient to partner with off-takers in the different pilot states in an attempt to secure a market for smallholder farmers who would benefit from SK's loan facilitation/ This activity was designed to mitigate the impact of market risk. In Delta State, Wenedel Integrated Farms is willing to purchase matured broilers from smallholder farmers at the prevailing market price; formalization of partnership is being considered. Also, in Bayelsa State, Zigha Ayibakoro Ltd is committed to off-take matured broilers from smallholder farmers benefitting from loans facilitated by the intervention at the prevailing market price.

Facilitation of Access to market services for smallholder fish farmers in the different pilot states will be promoted by enlisted farm service providers; this position was agreed upon due to the high demand for catfish which makes it easily marketable

Collaboration with USAID Ag-Extension Activity for Increased Farm Productivity

Following the launch of the USAID Ag-Extension activity in Delta state, Sombreiro Kapital engaged the activity in a bid to understand their objectives for possible collaboration in intersecting sectors. The outcome of the engagement is a commitment by the activity to facilitate the training of aquaculture service providers who are currently enlisted by SK on the most impactful farm practices (MIP's) for subsequent adoption by loan beneficiaries.

These MIP's which have been proven to significantly increase the profitability of smallholder farmers in the aquaculture sector will significantly promote prompt loan repayment.

Setting Timelines for Delivery of Locally Fabricated Farm Assets

The management team of SK paid a visit to the

managing director of Byecaca Agro Ventures (a major farm asset fabricator) in Bayelsa state to enable both parties to agree on the turnaround time (TAT) needed to fabricate and deliver financed farm assets facilitated by the intervention. This visit is to ensure loan applicants receive financed assets within the agreed timeline to enable them to generate the needed cash flow required to support monthly facility repayment.

Based on the feedback from the fabricator, a service agreement was developed which defines the TAT for delivery of financed farm assets whilst articulating the responsibilities of fabricators in the event of a technical breakdown of financed assets.

Facilitating Training to Members of Alero and UUFFA Fish Farm Cluster

The team from Sombreiro Kapital participated in a meeting which was facilitated by one of the Aquaculture service Providers, Marich Agro-Allied based in Delta State. The meeting was attended by the cluster heads of Alero and UUFFA (United Ufuoma fish farm association) Fish farm clusters in Warri, Delta State. The objective of the meeting was to explore the possibility of improving the farm management practices of members of the cluster through training before the recommendation of identified efficient farmers to the intervention for loan facilitation. This activity is aimed at ensuring that prospective loan beneficiaries from the cluster are efficient. Based on the above, 50 farmers were trained and subsequently recommended to the intervention for loan consideration.

Collaboration with Royal Exchange General Insurance

Owing to the impact of climate change on farming activities, SK engaged the business team from royal exchange insurance requesting a detailed proposal that articulates the products offered by the underwriter and the applicable conditions precedent to the issuance of an insurance policy. This is to ensure that loans facilitated by the intervention are adequately insured against unforeseen events that affect loan repayment.

At the end of the engagement session, an indicative insurance cover was shared with the intervention for review and feedback. Upon review of the received offer, the intervention reached out to the underwriter indicating its willingness to collaborate.