

OVERVIEW

Sombreiro Kapital (SK) is a special-purpose vehicle that seeks to stimulate the supply and demand for financial services by communicating incentives to financial actors in the access to finance ecosystem. Through SK, loans have been facilitated to smallholder farmers through a licensed commercial bank, Sterling Bank Plc.

SK's success is attributed to risk guarantee and working with the smallholder farmers to improve their efficiency. The approval followed a first and second-round review of the loan applications using industry-based selection criteria unique to smallholder farmers.

Conventional banks have a very low appetite for financing agriculture. When loans are given, banks require collaterals that most smallholder farmers do not have; they also have very high interest rates, making the return on investment challenging for smallholder farmers. As an intervention, SK is in line with SDG 1 & 8.

OBJECTIVES

- Remove barriers to investment in agriculture
- Increase the demand and supply for financials

APPROACH

Our overarching approach is on risk-sharing through the issuance of partial credit guarantees on agricultural loans. We also facilitate financial literacy training for smallholder farmers working with sector service providers to improve their bankability and repayment ability.

PIND'S INVESTMENT

PIND has invested NGN one million in initial seed capital to design loan guarantee products for farmers. We also earmarked about NGN 20 million yearly for running costs and capacity-building activities.

PRODUCTS & SERVICES DEVELOPED

- **Input Credit Scheme (ICS):** was established agro-dealers to provide farm inputs (feed, insecticides, et al.) to farmers on a credit basis at a low interest rate
- **Working Capital Loan (WCL):** a low-interest loan disbursed by Sterling Bank Plc to farmers to finance input purchase, farm labor costs, and asset acquisition

STRATEGIC TARGETS

- Reach 3,600 farmers in five years (900 per year from 2021-2024)
- Achieve a 40% gender target

OPPORTUNITIES

- Expansion of this facility with more partners will enable more farmers to access loans for their farming expansion
- Facilitate the disbursement of single-digit interest loans to 900 smallholder farmers in 2021 through NGN 200 million seed fund capital (going by an NGN 500,000 average loan amount and a 50 percent guarantee cover issued to lenders
- Acquire NGN 100 million in capital inflow from donors/partners to fund the target for the year to overcome capital deficit

KEY ACHIEVEMENTS

PIND initiated SK in July 2020 and has done several rounds of pilot activities. So far, we have issued N119,982,485 worth of credit guarantee to financial partners (Sterling bank and the agro dealer); facilitated training of 200 farmers by service providers on financial literacy; engaged 13 commercial banks and four agro-dealers on the viability and profitability in lending to selected agriculture businesses.

In 2021, we facilitated the disbursement of loans worth NGN227 to 742 farmers including to 151 women farmers. Over 300 loan applications worth N410million were received from clusters of farmers across the focal states of Delta, Imo, Ondo and Bayelsa.

Breaking down results into state-level intervention: 309 farmers comprising of fish and poultry farmers received loans worth N137,769,090 in Delta State; 378 farmers comprising of fish and poultry farmers received loans worth N73,208,635,090 in Ondo; 3 fish farmers received loans worth N1,805,949 in Bayelsa; 52 cassava farmers received loans worth N14,176,922 in Imo.