

## BACKGROUND

The Federal Government of Nigeria (“FGN”) working with the Nigerian Sovereign Investment Authority (“NSIA”) and International Financial Institutions (“IFIs”), is establishing a new wholesale Development Finance Institution (DFI) to be called the Development Bank of Nigeria (“DBN”).

The aim of the DBN is to increase access to finance for the micro, small and medium sized enterprises (MSMEs), and the agriculture sector. The FGN is seeking institutional equity investors to invest alongside them.

The objective of this document is to provide an initial overview of the project to investors and stakeholders. We will also share a detailed information memorandum and conduct an investor roadshow which will commence at the end of September 2014.

## RATIONALE FOR A NEW DFI

The existing Nigerian DFIs have not been able to sufficiently address the funding gaps and galvanise sustainable development to millions of Nigerian MSMEs and agriculture businesses. To address this shortfall, the Central Bank of Nigeria (CBN), has in recent years, introduced various interventions with the aim of supporting these and other sectors. These CBN interventions are temporary solutions and the FGN is of the opinion that a more permanent solution is required.

## FUNDING SOURCES FOR THE NEW DFI

The IFIs plan to commit over \$1 billion in debt, while African Development Bank (AfDB) will also be investing equity. The government is going on a road show to identify co-investors in DBN. In its initial stage of operations the FGN will raise funds and make these available to DBN for on-lending to the Nigerian MSMEs and agriculture businesses. We expect that within 3 years of its operation, DBN will have gained a credit rating similar to that of the Government and will be able to independently raise fund from local and international sources.

## ENVISAGED DFI IMPACT

DBN is expected to increase financial inclusion through improving access to finance. DBN will provide loans to 22,400 businesses in its first year of operation and disburse over 230,000 loans through its intermediaries by year 5. The DFI is also expected to:

- Encourage commercial banks to increase lending to the sector
- Promote the financial empowerment of women and other minority/less represented group
- Drive economic growth

## KEY SUCCESS FACTORS

The DBN will be different from previous government initiatives and existing DFIs in the following areas:

- 1. Governance** – The DBN is registered as a private sector institution and will benefit from private sector governance. Safeguards are in place to ring fence political influence.
- 2. Regulatory** – The DBN as a private sector financial institution will be regulated by the Central Bank of Nigeria. The Central Bank has released a new regulatory framework that will increase supervisory oversight of the CBN and ensure transparency of operations.
- 3. Sustainability** – The DBN will be able to function commercially on its own without dependence on government subsidies.
- 4. Reach** – As a Wholesale DFI, the DBN will leverage existing structures of commercial banks and retail DFIs to reach MSMEs across the country.

## NIGERIA HIGHLIGHTS

Nigeria is a federal constitutional republic comprising 36 states and its Federal Capital Territory, Abuja.



- **GDP (2013)**  
\$509.9 Billion (Largest economy in Africa)
- **GDP growth rate (2009-2013)**  
6.6% annual increase
- **Population (2012)**  
170 Million (est.)
- **Population growth rate (2009-2013)**  
2.6% annual increase

## ACCESS TO FINANCIAL SERVICES IN NIGERIA

A 2012 study by Enhancing Financial Innovation & Access (EFInA) revealed significant financial exclusion in access to financial services in Nigeria:

- **67.5%** of adults (59 million) are not formally banked
- Less than **36%** of traders/small business owners are formally banked
- Approximately **3%** of total MSME demand for financing is being met despite contributing 45% to Nigeria’s GDP
- Less than **15%** of farmers are formally banked although agriculture accounts for over 21% of Nigeria’s GDP

## DFI PRODUCTS AND ACTIVITIES

### Medium-term finance

These will include term loans with tenures of up to 10 years to eligible retail intermediaries such as commercial banks, microfinance banks, existing retail DFIs and leasing companies for on-lending to MSMEs.

### Partial Credit Risk Guarantees

Participating institutions may opt to purchase these products to share risk with the DBN.

In addition to the products above, technical assistance (“TA”) will be provided to both the participating financial institutions and the ultimate end borrowers.

## INVESTMENT HIGHLIGHTS

- Financial sustainability
- Developmental impact
- Strong corporate governance structure
- High level political and international support
- Strong regulatory framework

## CONTACT INFORMATION

### Haruna Mohammed

Director, Federal Ministry of Finance  
Mobile: +234 805 579 8172  
Email: [hmohammed@fmf.gov.ng](mailto:hmohammed@fmf.gov.ng)  
[harunam500@yahoo.com](mailto:harunam500@yahoo.com)

### Uche Orji

Managing Director/CEO, NSIA  
Mobile: +234 809 740 874  
Email: [uorji@nsia.com.ng](mailto:uorji@nsia.com.ng)

### Tunde Ladipo

Special Advisor to the Honourable  
Minister of Finance on Strategic Projects  
Mobile: +234 909 159 1383  
Email: [tunde.ladipo@tb-agi.org](mailto:tunde.ladipo@tb-agi.org)

### Farouk Gumel

Partner, PwC  
Mobile: +234 805 139 0600  
Email: [farouk.x.gumel@ng.pwc.com](mailto:farouk.x.gumel@ng.pwc.com)

### Andrei Ugarov

Director, PwC  
Mobile: +234 815 839 0798  
Email: [andrei.ugarov@ng.pwc.com](mailto:andrei.ugarov@ng.pwc.com)