

NSIA IMPLEMENTS RESTRUCTURING OF THE PRESIDENTIAL FERTILISER INITIATIVE (PFI)

- **Assumes role of upstream operator.**
- **Transfers most of the operations to fertiliser blenders.**
- **Within 4 years of the initiative, the programme delivered on key outcomes including:**
 - *Over 30 million bags of NPK 20:10:10 equivalent spanning project period.*
 - *Price reduction on fertilizer from over ₦10,000 to under ₦5,500*
 - *41 resuscitated blending plants from an initial number of 4 plants at project inception.*
 - *An estimated 250,000 jobs (direct and indirect) across the agriculture value chain including in logistics, ports, bagging, rail, industrial warehousing, and haulage touchpoints amongst others.*
 - *Foreign Exchanges savings in excess of US\$350million from erstwhile payments on subsidy and import substitution.*
 - *Food security by facilitating increase in domestic food production through the provision of affordable, high quality fertilizer.*
- **Takes steps to implement backward integration strategy for production of key inputs domestically including Ammonia.**

Abuja, Nigeria, April 1, 2021: The Nigeria Sovereign Investment Authority, NSIA has begun implementing the directive for the restructuring of the Presidential Fertiliser Initiative (“PFI”). In a bid to make the program more sustainable and following its notable successes and transformative impact over the past 4 years, the presidency approved the restructuring of the PFI program starting in the 2021 cycle with the following major modifications:

- i. The role of NSIA under PFI transitions to an upstream player thereby limiting its involvement to importation, storage and the wholesale of raw materials to blenders. The NSIA subsidiary NAIC-NPK Limited will be spun off to the Ministry of Finance Incorporated (MoFI).
- ii. Blenders will no longer be paid blending fees by NAIC-NPK, they will recover their costs directly from selling the fertilizer to the market. This will balance the incentives of the business and ensure the blenders build the right capacity to actively participate in the local supply sub-sector.
- iii. Blending plants to provide of bank guarantees to cover requisitioned raw materials demand appropriated for their respective production volumes.
- iv. As part of the new structure and in line with the Presidential directive, the Federal Ministry of Finance Budget and National Planning (FMFBNP) and the Central Bank of Nigeria (CBN), are expected to engage commercial banks to facilitate lines of concessionary credits to blending plants for the purchase of raw materials.
- v. It is also expected that the CBN will ensure that the foreign exchange needed for the program is provided as and when needed to cover some raw materials.

The approval, which takes effect immediately, was communicated in a letter through the Office of the Chief of Staff to the President (OCOS) which was issued in November of 2020.



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Under the new arrangement, blenders will be responsible for bulk of the activities in the Fertilizer production value chain such as transporting the raw materials, sourcing filler, blending the fertilizer, and selling to off-takers. Also, the Federal Ministry of Agriculture and Rural Development (FMARD) will perform its statutory monitoring and quality control role over blender activities. The benefits of this new approach include but are not limited to:

- i. Unlocking of more development finance (loans and investments) into the local fertilizer blending value chain of Nigeria.
- ii. Strengthening of market systems and encouraging actor participation. This will lead potentially to mergers and acquisition and innovation and growth across the industry which will benefit farmers.
- iii. Further reduction of food price inflation in the market as the availability of fertilizer will drive down the price or cost of food product.
- iv. Reduction of the high rate of unemployment as more people will become engaged in the production process.

In his comment, the Chairman, Implementing Committee of the PFI and Executive Governor of Jigawa State, HE. Governor Mohammed Abubakar Badaru said, "The programme has in many ways served to augment the Administration's policy-driven programmes to diversify the Nigerian economy. In the main, the programme has bolstered Nigeria's industrial base, resuscitated, and strengthened domestic production capacity for fertiliser, eliminated to the huge fertiliser subsidy burden placed on Federal Government, created thousands of direct and indirect jobs and alleviated the plight of the domestic farmer by ensuring availability of fertiliser. Clearly, the programme is a strong value proposition for the nation in the agriculture space given the variety of socio-economic benefits it presents. We are grateful to Mr. President for creating this programme and look forwards to supporting the next phase as it evolves."

Speaking on the development, the Managing Director and Chief Executive Office of NSIA said, "With the support of Mr. President, the programme has accomplished its principal objectives. Having fulfilled the establishment, stabilization, and market discipline phase of PFI, the primary objective of which was to revive the blending plants and create a viable domestic blending industry, we believe the PFI should gradually evolve into the next phase, which is a tactical withdrawal of intervention in the industry and the emergence of a self-sufficient, sustainable, and efficiently operated market. NSIA is pleased with the Government's decision and looks forward to seeing the innovation and creativity which will characterize the open market in the sector".

Mr. Thomas Eteh, Chairman, the Fertilizer Producers and Suppliers Association of Nigeria (FEPSAN) said, "The restructuring is a welcome development for FEPSAN. The new approach will afford operators the opportunity to build recognizable and trusted brand while ramping up distribution nationwide".

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About the PFI

The presidential Fertiliser initiative (“PFI”) is an initiative of President Muhammadu Buhari which was aimed at ensuring domestic capacity for production of fertiliser, specifically NPK 20:20:10 was explored to deliver fertilizer to farmers ahead of the wet farming season on time. Following the directive of Mr. President, the NSIA, through its subsidiary; NAIC-NPK Limited, has been implementing the Presidential Fertiliser Initiative (“PFI”) since its inception in December of 2016.

In the past 4 years of its implementation from 2017 to 2020, the PFI program has:

- a) facilitated the local production and supply of 1.5M Metric tons (about 30 million 50kg Bags) of NPK 20:10:10 fertilizer,
- b) resuscitated and established 41 blending plants across 17 states,
- c) achieved controlled reduction in the price of NPK fertilizer,
- d) created over 250,000 direct and indirect jobs across the fertilizer value chain,
- e) and has among others accrued substantial annual subsidy and FX savings.

The significant support from the CBN in terms of: (i) provision of funding to the PFI program through the RSSF, (ii) allocation of Dollars to Indorama for the sale of Urea to the PFI program in Naira, and (iii) guaranteeing Dollar swap for Naira at the prevailing CBN official rate for the repayment of the Dollar stop-gap funding provided by NSIA to the program, amongst others, has been pivotal in achieving PFI’s current feat and ensuring the success of the program to date.

About NSIA

The Nigeria Sovereign Investment Authority, a corporate body established by the Nigeria Sovereign Investment Authority (Establishment, etc.) Act 2011 is mandated to manage funds in excess of budgeted hydrocarbon revenues. Its mission is to play a leading role in driving sustained economic development for the benefit of all Nigerians through building a savings base for the Nigerian people, enhancing the development of Nigeria’s infrastructure, and providing stabilisation support in times of economic stress. NSIA operates three mandate funds: the Stabilisation Fund, the Future Generations Fund, and the Nigeria Infrastructure Fund.

For more information, please visit www.nsia.com.ng

About FEPSAN

The Fertilizer Producers & Suppliers Association of Nigeria (“FEPSAN”) is a national trade association set up to represent the needs and interests of fertilizer manufacturers, blending plants, major distributors, dealers and farmers in Nigeria.

Following its registration with the Nigerian Corporate Affairs Commission (CAC), the Association was launched in February 2004. Its membership is open to all registered companies under the Nigerian laws dealing with manufacturing, importation, blending, and distribution of good quality fertilizers. Other related bodies/organizations or individuals may be considered as affiliate members.

FEPSAN’s vision is to “attain improved productivity and environmental sustainability of Nigerian Agriculture through balanced and judicious use of fertilizers” while the mission is to “provide a platform for stakeholders in the public and private sectors of the fertilizer



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industry in Nigeria to develop effective public private partnerships to ensure timely supply of adequate quantity and quality fertilizers; and to promote professional, moral and ethical practices in the industry.”

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