

COMMUNIQUE ISSUED AT THE 21ST NATIONAL LEASE CONFERENCE ORGANISED BY THE EQUIPMENT LEASING ASSOCIATION OF NIGERIA (ELAN), HELD AT RADISSON BLU HOTEL, IKEJA - LAGOS AND VIRTUAL ON THURSDAY, 16TH NOVEMBER 2023.

1.0 BACKGROUND

As part of its objective of promoting the ideals of leasing in Nigeria, the Equipment Leasing Association of Nigeria (ELAN) organised its 21st National Lease Conference held on Thursday, 16th November 2023. The event was held both as in-person and virtual, at Radisson Blu Hotel, Ikeja – Lagos. The theme of this year's conference was **“PROPELLING ECONOMIC RECOVERY AND GROWTH: THE LEASING INITIATIVE.**

The Annual National Lease Conference is the biggest gathering of stakeholders in the Nigerian leasing industry, which has become a veritable platform for propagating the ideals of leasing and cross fertilisation of ideas to propel the development of the leasing industry and the national economy, exploring opportunities and promoting business networking.

This year's conference was informed by the need to highlight the beauty of leasing as a creative financing alternative to enhance productive capacity, create wealth and sustain economic development, especially at this challenging time in the life of our country.

The conference considered among other things, the relevance of leasing to achieving the various policy initiatives of Government, especially at this crucial time of stimulating economic recovery, and issues affecting the development of the leasing industry to further strengthen its capacity to contribute more to national development.

The conference attracted quality participation from high-net-worth professionals, both locally and globally, players from leasing industry, public sector, development partners, business community etc. Four major paper presentations were made by seasoned experts, supported by a panel discussion handled by distinguished Panelists and a business networking session with major partners engaging distinguished participants at the event.

Topics presented and discussed include:

- Operating in a Volatile Environment: Key Ingredients for Leasing Business Sustainability and Growth by ***Taiye Emagha, MD/CEO Lecon Financial Services Limited;***
- Building Synergy and Profiting from Vendor Leasing by ***Alfred Okugbeni, MD/CEO Nigerian Sinotrucks Limited;***
- Funding Mechanism for the Leasing Industry by ***Jonathan Gigin, Leasing Expert, International Finance Corporation (IFC);***
- Nigeria's Economic Agenda: Impact Analysis, Role, and Opportunities by ***Christian Chigbundu, MD/CEO Coscharis Mobility Limited.***

The discussions dove tailed into the panel session with the theme. Panelists were Ugoji Lenin Ugoji, MD/CEO C&I Leasing Plc; Engr. Saidu Njidda, MNI, Chairman/CEO, Equipment Leasing Registration Authority (ELRA); Markus Wauschkhun, Head of Programme, SEDIN-GIZ, Shina Gbadegesin, MD/CEO Goxi Microinsurance Limited and moderated by Toochukwu Agwuncha, MD/CEO Fortvivit Resources Ltd.

2.0 OBSERVATIONS

Conference observed that:

1. Nigeria is faced with a barrage of challenges from insecurity to a depressed economy. Essentially, the impacts of the removal of petroleum subsidy and the devaluation of the Naira are major headwinds choking Nigerians and bringing immense economic hardship to the citizenry. Overall, macroeconomic conditions remain very volatile.
2. There is neglect of the manufacturing sector as Nigeria is not producing enough, for both local consumption and export. The consequences of having a weak manufacturing base for a country with such a large population are evident in its foreign exchange shortages, limited number of jobs created to accommodate workforce entrants, and an import bill that can hardly be met (nor sustained) by current export earnings. Worse still, 80% of workers are employed in sectors with low levels of productivity - agriculture and non-tradable services. This means that the kind of jobs needed to generate income growth and lift many Nigerians out of poverty are not available in large numbers.
3. The country is at a critical stage and it is important for the Government not to tread the path of the past, of non-implementation. Government must take urgent actions, and develop new and improved implementation models and solutions that would ensure the attainment of the agenda and actually improve the quality of lives of Nigerians.
4. No doubt, equipment leasing is very significant to achieving the Government's economic agenda with direct bearing on all the eight priority areas. As a financing alternative, Leasing is unique as it facilitates easy and convenient access to desired equipment needed for productive purposes, contributing to capital formation in the economy. Leasing reaches out and meets the diverse equipment needs of various categories of customers, be it large corporate organisations or small venture owners, providing them with affordable and quality services tailored to their needs. The overall essence of leasing is to enhance the planning, improvement and development of any economy by building and supporting productive ventures.
5. Since its inception in Nigeria, leasing has been supporting economic development. Today, the impact of leasing is pronounced in all sectors of the economy, enhancing capital formation, generating employment and creating wealth. Outstanding leases in Nigeria in 2022 amounted to N3.18trn as against N2.58trn in 2021 representing 23.2% growth. In the last decade, leasing contribution to capital formation in the economy is in excess of N16.3 trillion. Leasing is becoming more relevant in our prevailing economic situation, especially to Micro Small and Medium Scale Enterprises (MSMEs) given the high cost of assets.

6. The various current policies of government aimed at revamping the economy, across all priority sectors - manufacturing, SMEs, industry and trade, infrastructure etc, no doubt, present huge opportunities for leasing. For instance, increased investment in mechanised agriculture, improved infrastructure and creating enabling environment for business to drive, will benefit the leasing industry.
7. Economic volatility poses serious threats to leasing business sustainability and growth. Lessors are facing multiple challenges because of the current macroeconomic conditions, e.g. high cost of borrowing, high rate of default by lessees, liquidity/cash flow constraints, rapid depreciation of lessor assets due to bad road networks etc.

3.0 CONSEQUENTLY CONFERENCE RESOLVED AS FOLLOWS:

1. Government at all levels should utilise equipment leasing in their various developmental initiatives aimed at bringing succour to the people. The leasing industry is willing to collaborate with government and build a strong partnership with other stakeholders to achieve the set out economic initiatives.
2. In view of the relevance of leasing to economic development, it is imperative for Government to focus on the leasing industry by taking targeted measures that would stimulate more contribution from the industry. Essentially, these measures should include:
 - i. ELRA focusing on ensuring favourable regulatory environment that would sustain the continued growth of the Leasing industry and enhance its contribution to national development.
 - ii. ELRA collaborating with other relevant government agencies to promote the leasing industry e.g. Federal Inland Revenue Service (FIRS), security agencies etc.
 - iii. ELRA focusing on developing the leasing industry, which will automatically generate revenue on the long run.
 - iv. Addressing the perennial issue of funding. Leasing should be included in the various intervention funds for the development of targeted sectors of the economy. Also, the leasing industry should be given access to pension funds, which is one of the major sources of funds for leasing globally because of its long-term nature.
 - v. Government should utilise leasing in public sector to achieve efficiency and cost savings and incentivise lease investments in critical areas such as agriculture, health and mining, through access to cheap funding, tax rebate and providing risk mitigants.
3. Practitioners in the leasing industry should develop strategies for growth and sustainability in the volatile operating environment including:

- i. Adopting cost cutting measures such as reduce operating cost, improve efficiency and contribute to Global Sustainable Development Goals.
- ii. Having and implementing a plan for maintenance of the leased assets under operating lease arrangement throughout the lease tenor - consider manufacturer/professional refurbishment option instead of purchasing new ones.
- iii. Ensuring variation clause in operating lease contracts - variation clause and other hedging strategies must be in lease contracts because of rapidly changing operating variables such as fuel cost, forex variations which affect operating and maintenance costs.
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- v. Increasing risk management - Increase frequency of risk committee meeting, set up volatility committee to review risks
- vi. Increasing capitalisation - Most leasing companies are under-capitalised. Capitalisation in form of equity will provide inexpensive funding that will enhance the operations.
- vii. Developing human capital - Human capital development across sectors to understand the lessee business and business environment, will facilitate 'tailor-made' lease structuring in a mutually beneficial form while reducing rate of default.
- viii. Building strategic partnership with key participants such as major asset manufacturers, other finance/leasing companies for lease asset financing and major distributors/suppliers of leasable assets, could facilitate credit purchase, share/reduce cost of borrowing while encouraging concentration/specialisation in lease type (Operating or finance lease and or sectors of the economy. The strategic alliance is also important to improve lease consciousness among the investing public, especially the MSMEs thereby improving their competitiveness, especially access to finance using the leasing option.
- ix. Lessors should embrace digitisation as a business enabler while adopting transparency and sound corporate governance to attract the right kind of support e.g. funding.

4.0 CONCLUSION

Overall, Conference was of the view that the event provided a veritable platform for engagement on various developmental issues affecting the leasing industry and the economy at large, and looked forward to following up on the various conversations for realisation of the resolutions.