



CENTRAL BANK OF NIGERIA

**GUIDELINES FOR THE PRIVATE SECTOR-LED
ACCELERATED AGRICULTURE DEVELOPMENT
SCHEME**

November 2020



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1. Introduction

The Central Bank of Nigeria (CBN), in line with its developmental mandate, continues to develop and introduce development finance programmes and schemes to expand access to finance to critical sectors and segments of the economy to achieve food self-sufficiency as well as diversification. While pursuing this mandate, the population of the country has continued to rise at nearly 3% annually. Recent studies indicated that the country's population pyramid is bulging around the youth segment, with an estimated 75 per cent of the population identified to be aged below 35 years. A large segment of this population would have eked out a living if adequate opportunities were harnessed in agriculture given its potential of employing over 70% of the nation's workforce.

While addressing the rising food security challenge due to unproportionate production compared to population growth; value addition to agriculture; including provision of more land for cultivation has remained stagnant over the years.

To address the food security and youth unemployment challenges across the country, the CBN introduced the Accelerated Agriculture Development Scheme (AADS) to engage 370,000 youth in agricultural production, in collaboration with state governments. The Private Sector-Led Accelerated Agriculture Development Scheme (P-AADS) was also developed to complement AADS by exploring private sector partnership to facilitate more rapid land clearing for production of key agricultural commodities.

2. Objectives of the Scheme

The broad objective of the P-AADS is to facilitate increased private sector agricultural production of staple foods and industrial raw materials, as well as support food security, job creation and economic diversification.

The specific objectives are to:

- i. Fast track land clearing for primary production of agricultural commodities;
- ii. Promote food security through the provision of large contiguous land for agricultural production across all states;
- iii. Collaborate with agro-processors engaged in backward integration by providing financing for extended land clearing in proximal locations for cultivating commodities for supply of industrial raw materials;
- iv. Support other capable stakeholders interested in unlocking land for agriculture through appropriate financing; and
- v. Engender job creation for individual farmers that will cultivate on the cleared land.

3. Eligible Participants

- i. Agro-processors of agricultural commodities engaged in backward integration;
- ii. Prime anchors and commodity associations participating under the Anchor Borrowers' Programme (ABP) with evidence of contiguous land readily available for clearing and cultivation of agricultural commodities; and
- iii. Other companies and individuals with evidence of ownership of contiguous land readily available for clearing and cultivation of agricultural commodities.

4. Focal Commodities

Agricultural commodities eligible for consideration under the Scheme are:

- i. Rice
- ii. Maize
- iii. Cassava
- iv. Cotton
- v. Wheat
- vi. Tomato
- vii. Poultry
- viii. Fish
- ix. Sorghum
- x. Oil Palm
- xi. Cocoa
- xii. Livestock/Dairy
- xiii. Any other commodities as may be listed by the CBN from time to time.

5. Eligibility Criteria

Prospective P-AADS participants must:

- i. be existing or new firms engaged in agricultural production with proven capacity and bankable proposal
- ii. possess acceptable title for contiguous lands of not less than 20 hectares;
- iii. have good credit record
- iv. be able to provide the required collateral for participation and
- v. Provide evidence of capacity to cultivate a focal commodity directly or engagement of farmers, including youths as in-growers or out-growers to cultivate on the land after clearing

6. Funding

The Private Sector-Led Accelerated Agriculture Development Scheme (P-AADS) shall be funded from the Anchor Borrowers' Programme (ABP).

7. Loan Limit

The maximum loan accessible under the Scheme shall be N2 billion per obligor. The facility shall be repaid from the Economics of Production (EOP) for cultivating on the cleared farmland.

8. Interest Rate

Interest rate under the intervention shall be 5.0% p.a. (all inclusive) up to 28th February 2021.

Interest on the facility from 1st March 2021 shall be 9% p.a. (all inclusive).

9. Loan Tenor

Annual crops: Maximum tenor of six (6) years with six (6) months moratorium.

Perennial crops: Maximum tenor of ten (10) years with one-year moratorium.

10. Collateral Requirement

The collateral to be pledged by participants under the Scheme shall be title of the cleared land and other acceptable collateral prescribed under the ABP.

CBN shall bear 50% of the credit risk in the event of default by the participant.

11. Repayment

Repayment of the facility shall be made on instalment basis through the participating banks and spread over the EOP of the cultivated commodities.

The participating banks shall remit repayments received to the CBN on quarterly or annual basis depending on the commodity financed.

12. Modalities

- i. Contiguous land of not less than 20 hectares shall be provided for specified agricultural commodities cultivation.
- i. Evidence of land ownership in form of any acceptable title including lease of a minimum of 15 years.
- ii. Soil analysis and testing shall be carried out on the land to assess the suitability for cultivation of the intended crop.
- iii. Anchor/commodity association/processor submits Expression of Interest (EOI) with all requisite documents including crop to cultivate, to participating banks for consideration.
- iv. Participating bank conducts due diligence and applies to the CBN for release of funds for land clearing in line with approved schedule of average cost per hectare
- v. CBN approves and releases funds to participating banks for disbursement.
- vi. CBN bears 50% of the credit risk in the event of default by the participants
- vii. Anchor/Processor/Aggregators with proven capacity or service providers engaged to clear the farmland within the approved schedule of average cost per hectare and spread over the facility tenor in the EOP.
- viii. Cleared land shall be parcellated to farmers aggregated and coordinated into clusters by identified anchor/commodity associations.
- ix. Anchors/Processors/Aggregators shall sign purchase agreement with farmers for offtake of crops produced on the cleared land
- x. Farmers cultivate focal commodity on the cleared land
- xi. Produce off-taken on cash and carry basis to enable farmers meet obligations

13. Verification/Monitoring of Projects

Periodic monitoring of projects financed under the Scheme shall be conducted jointly by the PB and CBN.

14. Responsibilities of Stakeholders:

For the effective implementation of the intervention facility, the responsibilities of the stakeholders shall include:

14.1 Central Bank of Nigeria (CBN) shall:

- i. Provide the fund.
- ii. Act as Managing Agent.
- iii. Issue and review modalities and operating guidelines from time to time.
- iv. Provide regulatory and supervisory oversight.
- v. Monitor, evaluate and conduct impact assessment of the programme In conjunction with other stakeholders.
- vi. Provide periodic reports on the programme.

14.2 Participating Banks (PB) shall:

- i. Conduct due diligence on prospective participants.
- ii. Access funds from the CBN for on-lending.
- iii. Ensure that payments are made directly to mechanization service providers for the land clearing
- iv. Book loans for the successful applicants at the prescribed interest rate.
- v. Monitor the utilisation of the facility to ensure achievement of the objectives of the scheme

14.3 Anchor/Processor/Off-taker shall:

- i. Sign off-take agreement with the farmers that will cultivate on the land
- i. Off-take produce at the prevailing market price or average of 3 prices within the State
- ii. Make payment for all produce collected within 5 working days of collection
- iii. Be responsible for the management of the farm
- iv. Provide extension services
- v. Commit to abide by the terms of agreement
- vi. Monitor farmers and repay the loan as and when due

14.4 Private Land Clearing Service Provider shall:

- i. Clear the land in line with the service level agreement and approved costs schedule by the CBN
- ii. Provide suitable farmland feeder access paths
- iii. Provide farmland drainage
- iv. Remove logs and stumps and ensure land is ready for cultivation.

14.5 Smallholder Farmers

- i. Cultivate focal crop on the land for within the loan period until full repayment of the land clearing facility.
- ii. Sell harvested produce to the processor/anchor.
- iii. Repay instalment as and when due till full liquidation of the facility where facility is sourced by commodity association on behalf of members.

15. Infractions and Sanctions – Participating Banks

- i. Diversion of funds by the participating banks shall attract a penalty at its maximum lending rate at the time of infraction. In addition, such PFI shall be barred from further participation under the scheme;
- ii. Non- rendition or false returns shall attract the penalty stipulated by BOFIA
- iii. Charging interest rate higher than prescribed shall attract the penalty stipulated by BOFIA
- iv. Any participating that fails to disburse the fund within the stipulated days of receipt to the borrower, shall be charged penalty interest at the PFI's maximum lending rate for the period the fund was not disbursed;
- v. Failure to remit repayments received to CBN within the stipulated period shall attract penalty interest at the PFIs maximum lending rate.

The CBN reserves the right to impose the appropriate sanction in respect of any other breach of the guidelines not specified in this section.

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