

# **GUIDELINES FOR COMMERCIAL AGRICULTURE CREDIT SCHEME (CACCS)**

**CENTRAL BANK OF NIGERIA (CBN)**

**AND**

**FEDERAL MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT (FMA&RD)**

## **1.0 Establishment of the Scheme**

As part of its developmental role, the Central Bank of Nigeria (CBN) in collaboration with the Federal Ministry of Agriculture and Rural Development (FMA&RD) has established the Commercial Agriculture Credit Scheme, hereinafter referred to as CACCS, for promoting commercial agricultural enterprises in Nigeria, which is a sub-component of the Federal Government of Nigeria Commercial Agriculture Development Programme (CADP). This Fund will complement other special initiatives of the Central Bank of Nigeria in providing concessionary funding for agriculture such as the Agricultural Credit Guarantee Scheme (ACGS) which is mostly for small scale farmers, Interest Draw-back scheme, Agricultural Credit Support Scheme, etc.

## **2.0 Funding**

The scheme shall be financed from the proceeds of the N200billion seven (7) year bond raised by the Debt Management Office (DMO). The fund shall be made available to the participating bank(s) to finance commercial agricultural enterprises. In addition, each State Government could borrow up to N1.0billion for on-lending to farmers' cooperative societies and other areas of agricultural development provided such initiatives/interventions are in line with the objectives of CACCS.

## **3.0 Objectives of the Scheme**

The objectives of the scheme are:

- (i) To fast track development of the agricultural sector of the Nigerian economy by providing credit facilities to commercial agricultural enterprises at a single digit interest rate;
- (ii) Enhance national food security by increasing food supply and effecting lower agricultural produce and product prices, thereby promoting low food inflation;
- (iii) Reduce the cost of credit in agricultural production to enable farmers exploit the potentials of the sector; and

- (iv) Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide input for the industrial sector on a sustainable basis.

#### **4.0 Governance of the Scheme**

The Central Bank of Nigeria and the Federal Ministry of Agriculture and Water Resources shall collaborate to ensure the success of the Scheme through a Programme Steering Committee (PSC). The PSC shall be responsible for the overall administration of the Funds and Scheme while the day-to-day implementation of the Scheme shall lie with the Technical Implementation Committee (TIC). The TIC shall report to the PSC which is the highest policy organ of CACS.

##### **(a) PROGRAMME STEERING COMMITTEE (PSC)**

The composition of the PSC shall be as follows:

- (i) Honourable Minister of FMA&WR or Rep - Chairman
- (ii) Governor, CBN - Vice Chairman
- (iii) Federal Ministry of Finance - Member
- (v) Representative of commercial farmers - Member
- (vii) Programme Coordinator (CADP) - Secretary

##### **(b) TECHNICAL IMPLEMENTATION COMMITTEE (TIC)**

The composition of the TIC shall be as follows:

- (i) Director, Development Finance Department (DFD)  
CBN - Chairman
- (ii) Head, Agric. Credit Support Division,  
DFD, (CBN) - Member
- (iii) Programme Coordinator (CADP) - Secretary

The TIC shall regularly undertake verifications of CACS projects to ensure that banks operate in line with the objectives of the Scheme.

## 5.0 Target Agricultural Commodities and Value Chains

Key Agricultural commodities to be covered under the Scheme are:

### (i) PRODUCTION:

- **Cash Crops:** Cotton, Oil Palm, Fruit Trees. Rubber, Sugar Cane, Jatropha Carcus and Cocoa.
- **Food Crops:** Rice, Wheat, Cassava, Maize/Soya, Beans/Millet, Tomatoes and Vegetables
- **Poultry:** Broilers and Eggs Production
- **Livestock:** Meat, Dairy and Piggery
- **Aquaculture:** Fingerlings and Catfish

### (ii) PROCESSING: Feed mills Development, Threshing, Pulverisation and Other forms of transmutation for value addition.

### (iii) STORAGE: Commodities, Agro-Chemicals and Warehousing

### (iv) FARM INPUT SUPPLIES: Fertilizers, Seeds/Seedlings, Breeder Stock, Feeds, Farm equipments & Machinerries.

### (v) MARKETING: Agricultural commodities under the focal investment areas.

## 6.0 Definition of Commercial Agricultural Enterprise;

For the purpose of this Scheme, a commercial enterprise is any farm or agro-based enterprise with agricultural asset (excluding land) of not less than N100 million for an integrated farm with prospects of growing the assets to N250 million within the next three years and N50 million for non-integrated farms/agro-enterprise, except in the case of on-lending to farmers' cooperative societies.

## 7.0 Eligibility for Participation in the Scheme

### (A) Participating Bank (PB)

- (i) The Central Bank of Nigeria has approved the participation of all deposit money banks under the Scheme. All participating banks are required to sponsor projects from any of the target areas indicated in the Guidelines and bear all the credit risk of the loans they will be granting.

- (ii) The single obligor for any project from a participating bank under the Scheme shall be N2.0billion while for State Governments shall be N1.0billion.

**(B) Borrower:**

**(i) Corporate and Large Scale Commercial Farms/Agro-Enterprises**

The borrower shall:

- Be a limited liability company with asset base of not less than N100 million and having the prospect to grow the net asset to N250 million in the next three years and complies with the provision of the Company and Allied Matters Act (1990)
- Have a clear business plan
- Provide up-to-date record on the business operation if any.
- Have out growers programme, where appropriate
- Satisfy all the requirements specified by its lending bank

**(ii) Medium Scale Commercial Farms/Agro-Enterprises**

To participate in the Scheme the borrower shall:

- Be a limited liability company with asset base of not less than N50million and having the prospect to grow the net asset to N150 million in the next three years and complies with the provision of the Company and Allied Matters Act (1990)
- Have a clear business plan
- Provide up-to-date record on the business operation
- Have out growers programme, where appropriate
- Satisfy all the requirements specified by its lending bank

**(iii) State Government /FCT**

To participate under the Scheme, the States shall;

- Submit an expression of interest
- Present an Irrevocable Standing Payment Order (ISPO) in favour of the participating bank, duly signed by the State Governor, Commissioner for Finance and the State Accountant General
- Adhere to the repayment agreement reached with the participating bank (PB), upon contravention; the CBN shall assist the PB to invoke the ISPO.

- Have appropriate/functional structures on ground or set up structures for the deployment of the funds, which must include existing, registered Cooperative Societies/Unions. The cooperatives must be at least six (6) months old with proven track records of repayment
- Deploy CACS funds disbursed to farmers' cooperative societies and other areas of agricultural development provided such initiatives/interventions are in line with the objectives of CACS.
- Satisfy all the requirements specified by the lending Bank

## **8.0 Modalities of the Scheme**

- (i) Agricultural credit from the participating banks shall be in the form of loans.
- (ii) Interest on loan shall not exceed 9.0 per cent inclusive of all charges.

## **9.0 Acceptable Collateral**

The security which may be offered to a participating bank for the purpose of any loan under the scheme may be one or more of the following:

- (i) A charge on land in which the borrower holds a legal interest or a right to farm, or a charge on the land including fixed assets, crops or livestock.
- (ii) A charge on the movable property of the borrower.
- (iii) A life insurance policy, a promissory note or other negotiable security
- (iv) Stocks and shares; and
- (v) Any other collateral acceptable to the participating bank(s).

## **10.0 Loan Tenor**

- (i) Loans shall have a maximum tenor of seven years and/or working capital facility of one year with provision for roll over.
- (ii) The Scheme allows for moratorium in the loan repayment schedule taking into consideration, the gestation period of the enterprise.

## **11.0 Limit of Liability under the Scheme**

- (i) The maximum interest rate to the borrower under the scheme shall not exceed 9 per cent, inclusive of all charges.
- (ii) The interest subsidy of the scheme shall be borne wholly by the Central Bank of Nigeria

## **12.0 Procedure for Applying for the Loan**

All applications for loans under the Scheme shall be made to the participating banks (PBs). All applications under the Scheme shall be treated by PB's with due diligence.

## **13.0 Verification and Monitoring on Projects**

All projects shall be verified by the TIC after drawdown to ensure that banks fully comply with the objectives of the Scheme. The Development Finance Department of the CBN and the CADP Secretariat of FMA&RD shall periodically monitor the projects funded under the Scheme, and report to the PSC.

## **14.0 Verification in Other Terms and Condition of CACS Loan**

Participating banks shall be required to secure a written consent of the TIC and approval of the PSC before making alterations to the stipulated terms and conditions governing any on-going CACS facility.

## **15.0 Infractions and Sanctions**

### **PB(s)**

- (i) Diversion of funds by the PB(s) shall attract a penalty at the bank's average lending rate at the time of infraction. In addition, such PBs shall be barred from further participation under the scheme;
- (ii) Non- rendition or false returns shall attract the penalty stipulated by BOFIA section 60;
- (iii) Charging interest rate higher than prescribed shall attract the penalty stipulated by BOFIA section 60;
- (iv) Any PB that fails to disburse the fund within 14 days of receipt to the borrower shall be charged a penalty interest rate of MPR+300 basis points for the period the fund was not disbursed;
- (v) Any other breach of the guidelines as may be specified from time to time; and
- (vi) Not withstanding the agreement between the PB and the project promoter, the CBN has the right to reject a request from any PB that contravenes any section of the Guidelines.

## **16.0 The Key Stakeholders of the Scheme are;**

- (i) Federal Government of Nigeria (FGN),
- (ii) Central Bank of Nigeria (CBN),
- (iii) Federal Ministry of Agriculture and Rural Development (FMA&RD),
- (iv) Debt management Office (DMO),

- (v) Participating Banks (PBs), and
- (vi) Borrowers

## **17.0 Responsibilities of Stakeholders**

For effective implementation of the scheme and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

### **(a) The FGN**

The Federal Government of Nigeria shall be the issuer of the Bond

### **(b) The CBN**

The Central Bank of Nigeria (CBN) shall:

- (i) Specify the rate at which PBs lend to borrowers under the Scheme
- (ii) Absorb the subsidy which may arise in the pricing of the loan to borrowers
- (iii) Absorb all other incidental/administrative expenses
- (iv) Select the participating banks under the scheme, with due considerations of the general ability of the banks
- (v) Release funds to participating banks after confirmation of intent/readiness of banks to disburse funds
- (vi) Receive and process the monthly returns made by the PBs in relation to their loans under the Scheme
- (vii) Conduct spot audit on the PBs as well as monitor and evaluate the borrowers' enterprises in order to ascertain the performance of the Scheme
- (viii) Retrieve funds when guidelines are not strictly adhered to by the participating banks
- (ix) Prepare monthly reports to the National Economic Council (NEC), the TIC and PSC.
- (x) Retrieve funds from the PBs at the expiration of the loan tenure.
- (xi) Make provision for the N200billion bond repayment
- (xii) Serve as the Chairman of TIC.

**(c) The Federal Ministry of Agriculture and Water Resources FMA&RD**

The FMA&RD shall:

- (i) Participate in the monitoring and evaluation of the Scheme;
- (ii) Undertake periodic review of the enterprises financed under the Scheme; and
- (iii) Serve as the Secretary to TIC and PSC

**(d) The Federal Ministry of Finance (FMF)/ Debt Management Office (DMO)**

The FMF/DMO shall:

- (ii) Issue the Bond on behalf of the FGN; and
- (iii) Raise money from the market.

**(e) The Participating Banks**

The participating banks shall:

- (i) Ensure due diligence is followed in the administration of credit facilities
- (ii) Guarantee safety and purposeful application of funds for on-lending,
- (iii) Bear 100 per cent credit risk
- (iv) Lend funds under the Scheme at the specified rate
- (v) Submit to the CBN, Letter of offer by the bank, Letter/Evidence of Acceptance by the state, Irrevocable Standing Payment Order (ISPO), List of State Cooperatives or Evidence of Intervention project, Disbursement schedule, Repayment schedule, the Credit Risk Management System (CRMS) report of the borrower; and
- (vi) Render monthly returns under the Scheme to the CBN on the reporting format.

**(f) Borrower**

The borrower shall:

- (i) Utilize the funds for the purpose for which it is granted
- (ii) Insure the project being financed
- (iii) Make the project records available for inspection and verification by the CBN, TIC and PBs;
- (iv) Adhere strictly to the terms and conditions of the Scheme; and
- (v) State Governments/FCT shall utilize the funds as specified by the CACS objectives.



## **18.0 Returns by Banks should be made to the address below:**

Director,  
Development Finance Department,  
Central bank of Nigeria,  
Central Business district  
Abuja.

Tel: No.: +234 9 4623 8600

Fax No.: +234 9 4623 8655

## **19.0 Repayment or Discontinuation of a Credit Facility**

Whenever a credit facility is discontinued, the PB shall advise the PSC immediately, giving particulars of the credit facility.

## **20.0 Disbursement of Fund**

- (i) PBs and borrowers should strictly adhere to agreed disbursement/repayment schedule. Any deviation from the schedule should be mutually agreed between the parties and the TIC informed accordingly.
- (ii) Disbursement of funds must be in accordance with the due diligence of the Participating bank.

## **21.0 Amendments**

This Guidelines is subject to review from time to time as may be deemed necessary by the Project Steering Committee

DEVELOPMENT FINANCE DEPARTMENT  
CENTRAL BANK OF NIGERIA  
ABUJA

**OCTOBER 2010**