

GUIDELINES

For the

INTEREST DRAWBACK PROGRAMME

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Definition

1. The interest Drawback Programme (IDP) is established to reduce the burden of interest paid on loans by clients under the Agricultural Credit Guarantee Scheme Fund. The reduction which is a rate referred to as the IDP rate shall be determined by the Central Bank of Nigeria, from time to time.

2. The IDP rate shall be determined by the monetary authority (CBN) at the beginning of each financial year and announced through the Monetary and Credit Policy Guidelines. The rate could be amended during the year as deemed necessary based on the ruling interest Rate.
3. The interest drawback shall only be granted to the beneficiary through the borrower's bank account where the loan is liquidated within the stipulated repayment period with a maximum grace period of three months.

Establishment of the Fund

4. The Interest Drawback Programme was established jointly by the Federal Government of Nigeria (FGN) and the Central Bank of Nigeria (CBN) to provide relief on interest paid by farmers for loans under the Agricultural Credit Guarantee Scheme Fund (ACGSF).
5. The IDP has been established with a fund of N2.0 billion (Two billion Naira), named the IDP Fund. It was subscribed to by the Federal Government of Nigeria (60 per cent) and the Central Bank of Nigeria (40 per cent).
6. The IDP Fund shall not be part of the existing authorized or paid-up share capital of the ACGSF.

Purpose of the Fund

7. The Interest Drawback Programme is an interest rate rebate programme set up to assist farmers borrowing under the ACGSF to reduce their effective borrowing rates, without re-introducing a dual interest rate regime into the economy nor contradicting the existing deregulation policy of the government.
8. The IDP is presently available to farmers borrowing under the ACGSF only.
9. The purpose of the Fund is to provide interest rate rebate to farmers who borrow at market-determined rates by granting them a drawback of a certain percentage of the interest paid. The operating IDP rate shall be communicated to the participating banks at the beginning of every year and also when ever it changes during the year.

Management of the Scheme

10. The Fund shall be under the management of the Central Bank of Nigeria, which is also the Managing Agent for the ACGSF, Administrative work and policies relating to the IDP at the Head Office of the CBN shall be handled by the Development Finance Department of the Bank headed by the Director of Development Finance. The Development Finance Offices in the CBN Branches or Currency Centres in the States where the loans are granted under the ACGS will recommend qualified beneficiaries of the IDP to the Head Office for consideration and approval.

Procedure under the Scheme

11. Under the IDP, farmers shall borrow from the lending banks at market-determined rates and after the liquidation of the loan; they shall be entitled to interest drawback at the pre-determined IDP rate.
12. All applications for interest drawback shall be made by the lending banks on behalf of their customers on the form prescribed for that purpose (Form IDP/1).
13. Each lending bank shall prepare, in triplicate, the schedule (Form IDP/1) of all eligible customers and forward the original and duplicate to the Head, Development Finance Office of the CBN Branch/Currency Centre in the state where the loan transaction took place or the nearest CBN Branch/Currency Centre. The lending bank shall retain the triplicate.
14. Each Schedule will reflect the particulars of customers from the specified bank branch. The schedule will indicate the farmers' names, ACGSF Guarantee Certificate number, the loan amount, duration, interest paid, date of full repayment, and the amount for which drawback is applied. Thus, for instance, a farmer borrowing N100,000 at 30 per cent market rate for one year would pay N30,000 as interest to the lending bank. However, supposing the IDP rate at the time of borrowing was, say, 40 per cent, that farmer, on liquidating the loan, shall be able to draw back N12,000. His/her effective borrowing rate has therefore been reduced by 40 per cent.
15. The Head, Development Finance Office in the CBN Branch/Currency Centre shall examine the schedule as to the validity of the borrowers' names, loan amount, duration, date of full repayment, interest charged and the interest drawback entitlement. If found correct in all respects, he shall jointly sign the schedule with the lending bank official before forwarding the original to the Director, Development Finance Department at the CBN Head Office.
16. The Director shall ensure that the schedule is duly considered and if found correct in all respects shall issue a cheque to the lending bank within 15 days and advise the bank to credit the account of the customers with the approved interest drawback entitlement (amount).
17. The account of the beneficiary shall be credited by the lending bank promptly in accordance with the relevant CBN guidelines on the number of days for clearing cheques.

Eligibility for drawback claim

18. To qualify for the IDP, the farmer must have repaid both loan principal and interest within the agreed tenor. However, a graced period of three months for repayment may be allowed but drawback entitlement shall be calculated only up to the scheduled date for the final repayment of the loans. This means that interest accruing during the grace period will not be paid of the amount to be refunded.
19. Borrowers that liquidate loans after the expiration of the guarantee certificate/grace period are not eligible and shall be disqualified. A loan for which repayment period is extended after the expiration of the original guarantee certificate shall not qualify to benefit under the IDP.

Relevant documents required for processing drawback claims

20. The following supporting documents shall be required for processing interest drawback applications:
- a) Completed Form IDP/1 from the lending bank in triplicate. The lending bank shall retain the triplicate for record purposes.
 - b) Original ACGSF guarantee certificate in respect of the beneficiaries.

Other terms and conditions

21. Loans under the IDP shall be subject to all terms and conditions for borrowing under the ACGSF.

Development Finance Department
Central Bank of Nigeria, Abuja.
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