

GUIDELINE FOR THE AGRICULTURAL CREDIT GUARANTEE SCHEME FUND'S INTEREST DRAWBACK PROGRAMME

Definition

1. The Interest Drawback Programme (IDP) is established to provide support to borrowers for interest rate paid on loans under the Agricultural Credit Guarantee Scheme Fund, such support being a rate referred to as the IDP rate which shall be determined by the Central Bank of Nigeria from time to time.
2. The IDP rate shall be announced by the monetary authority at the beginning of each financial year through the Monetary Credit Policy Guidelines and amended during the year as deemed necessary through the same medium, guided by movements of the Minimum Re-discount Rate (MRR).
3. The IDP rate shall be calculated on simple interest basis over the duration of the underlining loan.
4. The interest drawback shall only be available to the borrower through the borrower's bank account upon the liquidation of the underlining loan within the stipulated repayment period and a maximum grace period of three months.

Establishment of the Fund

5. The Interest Drawback Programme has been established jointly by the Federal Government of Nigeria (FGN) and the Central Bank of Nigeria (CBN) to provide relief on interest paid by farmers borrowing under the Agricultural Credit Guarantee Scheme Fund (ACGSF).

6. The IDP has been established with a fund of ~~₦~~2.0 billion (two billion naira), named the **IDP Fund**, subscribed to by the Federal Government of Nigeria (60 per cent) and the Central Bank of Nigeria (40 per cent).
7. The IDP Fund shall not be regarded as part of the existing authorised or paid-up share capital of the ACGSF.

Purpose of the Fund

8. The Interest Drawback Programme is an interest rate support programme set up to assist farmers borrowing under the ACGSF to reduce their effective borrowing rates without the complication of re-introducing a dual interest rate regime into the economy or contradicting the existing deregulation policy of the government.
9. For ease of surveillance or monitoring, the Scheme is, for the time being, for farmers borrowing under the ACGSF.
10. The purpose of the Fund is to provide interest support to farmers who borrow at market-determined rates by allowing them to drawback the IDP rate, which shall be subject to variation according to the dictates of the economy. The operating IDP rate shall be communicated to the participating banks at the beginning of every year.

Management of the Scheme

11. The Fund shall be under the management of the Central Bank of Nigeria, which is also the Managing Agent for the ACGSF. Administrative work 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. In order to avoid any delay, much of the work on the IDP shall be done at the CBN Branch or Currency Center in the state where the transaction under the Programme took place.

Procedure under the Scheme

12. Under the IDP, farmers shall borrow from the lending banks at market-determined rates and after the liquidation of the underlining loan, farmers shall be entitled to interest drawback at the pre-determined IDP rate.
13. 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).
14. Each lending bank shall prepare in triplicate the schedule (Form IDP/1) of all eligible customers who have fully repaid their facilities as required and forward the original and duplicate to the Manager, Development Finance Office of the CBN Branch/Currency Center in the state where the loan transaction took place or the nearest CBN Branch/Currency Center. The lending bank retains the triplicate copy.
15. Each Schedule will reflect the particulars of customers from a specified bank branch. The schedule will indicate the farmers' names, ACGSF Guarantee Certificate number, the loan amount, duration, interest paid, retained interest, and interest drawback applied for. Thus, for instance, a farmer borrowing ₦100,000 at 30 per cent market rate for one year would pay ₦30,000 as interest to the lending bank. However, supposing the IDP rate at the time of borrowing was, say, 13

per cent, that farmer, on liquidating the loan, shall be able to drawback ₦13,000. His effective borrowing rate has therefore been reduced by 13 per cent.

16. The Manager, Development Finance Office in the CBN Branch/Currency Center shall crosscheck the schedule as to the validity of the borrowers' names, loan amount, duration, interest charged and the interest drawback entitlement. If found correct in all respects, 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.
17. The Director shall ensure that the schedule is further cross checked and if found correct in all respects shall issue a cheque to the lending bank within 30 days and advise the bank to credit the account of the customers with their approved interest drawback entitlements.
18. 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

19. To qualify for the IDP, the farmer must have repaid the underlining loan (principal and interest) within the agreed tenor. However, a grace period of three months for repayment is allowed, provided that the grace period shall not count for the of the calculation of the interest drawback entitlement.

20. Borrowers whose loans are liquidated after the grace period/expiration of the guarantee certificate are not eligible and shall be disqualified.

Supporting documents required for processing drawback claims

21. The following supporting documents shall be required for processing interest drawback claims:

(a) Completed Form IDP/1 from the lending bank in duplicate. The lending bank shall retain the triplicate copy for record purposes.

(b) Copy of the ACGSF guarantee certificate in respect of beneficiaries

Other terms and conditions

22. 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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