



AGRICULTURAL CREDIT GUARANTEE SCHEME FUND

**GUIDELINES
FOR THE
AGRICULTURAL
CREDIT
GUARANTEE
SCHEME**

Approved by the Board, March 2021.

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Establishment of the Fund

1. The Agricultural Credit Guarantee Scheme Fund was established by the Federal Military Government under the Agricultural Credit Guarantee Scheme Fund Decree 1977 (Decree No. 20) and as amended on 13th June 1988, and 26th June 2019.
2. The Act originally provided for a Fund of ₦100 million subscribed to by the Federal Military Government (60 per cent) and the Central Bank of Nigeria (40 per cent). The share capital of the Fund has been increased to ₦50.0 billion while the paid-up capital is ₦3.0 billion.

Management of the Scheme

3. The Fund is under the management of the Agricultural Credit Guarantee Scheme Fund Board and the Central Bank of Nigeria is the Managing Agent for the administration of the Scheme. The work relating to the Scheme is handled by the Development Finance Department of the Bank headed by the Director. For administrative convenience, most of the activities relating to the operations of the Scheme will be carried out at the Central Bank of Nigeria Branch Office in the state in which any transaction under the Scheme takes place.
4. **Eligible Participating Financial Institutions under the scheme**
 - I. Deposit Money Banks
 - II. Microfinance banks under the regulatory and supervisory role of the Central Bank of Nigeria (CBN).

Purpose of the Fund

5. The purpose of the Fund is to provide guarantee in respect of loans granted by lending banks for agricultural purposes under the scheme with the aim of increasing the level of bank credit to the agricultural sector. "Loan" under the amended act includes advances, overdrafts and any credit facility and should be taken as such wherever it is used in these guidelines and other circulars.

The Agricultural purposes in respect of which loans can be guaranteed by the Fund are those connected with: -

- a. establishment or management of plantation for production of rubber, oil palm, cocoa, coffee, tea and similar crops;
- b. The cultivation or production of cereal crops, tubers, fruits of all kinds, cotton, beans, groundnuts, sheanuts, benniseed, vegetables, pineapples, bananas and plantains;
- c. Animal husbandry: - poultry, piggery, cattle rearing and the like, fish farming and fish capture;
- d. Processing in general where it is integrated with at least 50% of farm output e.g. cassava to garri, oil palm fruit to oil and kernel, groundnut to groundnut oil, etc.;
- e. Purchase of Farm machinery and hire services;
- f. Fabrication of farm machinery implements and equipment for production, processing, storage and transportation.
- g. and other activities/elements within an agricultural value chain;

Forms of security for loans

- 6. The security which may be offered to a bank for the purpose of any loan under the scheme may be one or more of the following: -
 - (a) a charge on land in which the borrower holds a legal interest or a right to farm, or a charge on assets on the land including fixed assets, crops or livestock;
 - (b) a charge on the movable property of the borrower;
 - (c) a life assurance policy, a promissory note or other negotiable security;
 - (d) stocks and shares;
 - (e) a personal guarantee;
 - (f) any other security acceptable to the bank, which must be adequate and realizable.
 - (g) All assets registered on the National Collateral Registry (NCR)
 - (h) Warehouse Receipts

- (i) Letter of indemnity from employer for those in paid employment signed by authorized signatories
- (j) For loans of N100,000.00 (One hundred thousand naira) and below, banks are not expected to demand tangible securities and feasibility reports; however, there should be cross guarantee among members in a group or cooperative, and any other guarantee that may be acceptable to the bank.

Insurance

- 7. All loans under the scheme must be insured as a condition precedent to guarantee.

Application process for loans to qualify for ACGSF guarantee

- 8. All applications to lending banks for loans under the Scheme shall be made on the form prescribed for the purpose
- 9. Individual account must be opened for each beneficiary under the scheme by the lending bank. For co-operative or group loan, accounts must be opened for purpose of lending under the scheme
- 10. Please note that individual loans must be differentiated from group loan account.
- 11. The ACGSF application form should be completed by the beneficiary; Application forms shall be signed and stamped by the lending bank concerned and forwarded to the nearest office of the Central Bank in the State in which the bank is situated or as may be otherwise directed.
- 12. Agricultural enterprises guaranteed under the Fund must be mapped/tagged and the cost borne by the customer.
- 13. All loan applications should be subject to Credit Bureau and Credit Risk Management System (CRMS) checks by the lending bank.
- 14. The Development Finance Office in the State will conduct visits to the project sites and attach reports (including pictures and video clips) and submit same to the DFD Head Office.
- 15. All applications for ACGSF guarantee should be submitted to CBN by the lending bank not later than 30 days after receipt of application from beneficiary.

16. All lending banks are expected to carry out all necessary credit reviews and due diligence in good faith as well as competence, with which they would treat all applications for loans received in the normal course of their banking business.

Banks' assistance to loan applicants

17. If a bank rejects any request for a loan under the Scheme, the bank should give reasons for the rejection to the person making the request. It should also specify the steps the person should take to enable him to comply with the bank's requirements.

Safeguard in respect of certain loans

18. Where a loan or any portion of it in respect of which a guarantee is to be sought under the Scheme is to be used to purchase livestock, machinery or farming equipment, the loan or that portion of it as the case may be must not be paid to the borrower. Instead, the bank must pay it to the supplier who will furnish the bank with a copy of the delivery note or other documents in evidence of the delivery of the livestock, machinery or farming equipment to the borrower. The bank to register its interest and that of the borrower under the NCR.

Form and terms of loan agreement

19. In compliance with S.8 of the Agricultural Credit Guarantee Scheme Fund, every agreement for a loan in respect of which a guarantee is to be given must be in writing and must show the amount of loan, the rate of interest and the duration of the loan. The duration of each loan, including moratorium period if any, should be strictly relevant to the gestation period of the project being financed. For Microfinance banks and micro-loans, all loans should not exceed maximum of 12 months.
20. Banks should remind prospective borrowers under the Scheme that it is an offence for which one may be imprisoned for five years to apply the loan for purposes other than those for which they are given.

Limits of liability of the Fund in respect of guarantees

- 21.** The maximum liability of the Fund in respect of any guarantee given under the Scheme will be fixed from time to time by the ACGSF Board.
- 22.** Single obligor limit for non-tangible collateral is N100,000 while the obligor limit for individual, group/co-operative or a corporate society is N50,000,000.00 (Fifty million naira only) for secured loans.
- 23.** Based on the Act, the liability of the Fund will be 75 per cent of the amount in default net of any amount realized by the bank from the security it got from the borrower, subject, in the case of a loan to an individual, a co-operative society or a corporate body, to a maximum of ₦50,000,000 (Fifty million naira only).
- 24.** Revised Regulatory and Supervisory Guidelines of MFBs must be strictly adhered to as it stipulates that the maximum principal amount for a microloan shall not exceed N500,000.00 or 1% of the shareholders' fund unimpaired by losses and or as may be reviewed from time to time by the CBN. This must apply in guaranteeing their facilities.
- 25.** Where two or more banks jointly finance a project, the above limit of the Fund's guarantee liability will apply to the total loan granted to the borrower (s) by all the banks.
- 26.** In such cases, the Fund will deal with only one of the banks that may be nominated for the purpose by all the banks concerned as if it has granted the whole loan alone.
- 27.** Apart from the Head Office of the Central Bank of Nigeria, Development Finance Offices have been established in all branches of the Central Bank to administer the Agricultural Credit Guarantee Scheme. The Development Finance Offices are manned by Officers who function under the overall control of the Branch Controllers of the Central Bank in each branch.
- 28.** In order to ensure that matters connected with the Scheme are dealt with expeditiously, the Officers will treat such matters in the state in which they are located unless banks are otherwise directed.

Arrangements for Guarantee

Circumstances under which guarantee may be given

29. Any loan granted by a bank or jointly with another bank or other banks for agricultural purposes in accordance with the provisions of the Agricultural Credit Guarantee Scheme Fund Decree 1977 will be eligible for guarantee by the Fund. Guarantee of such loans will, for the time being, be granted automatically as provided for in paragraph 31 below.
30. In case of doubt as to whether an application for a loan is in accordance with the Act or not, the bank should seek clearance from the Fund.
31. Where a bank granted a loan to a beneficiary which was guaranteed by the Fund and it resulted in claims being paid by the Fund, such a bank should not grant that borrower any fresh loan under the Scheme without approval of the Director, Development Finance Department of the CBN.

Issue of Guarantee Certificate

32. One of the conditions for a guarantee under the Scheme is that the Fund will have the right to inspect the books and accounts of the bank in respect of the guaranteed loan. In addition, the bank will secure for the Fund by obtaining suitable undertaking from the borrower, the right to inspect the facility in respect of which the loan has been granted and to call for or examine all details of the guaranteed account, if considered necessary by the Fund.
33. When the Fund receives an application for guarantee from a bank, it will issue a certificate in the prescribed form (Form ACGSF/2) to the bank. The Fund shall not be required to sign any other document in this respect.

Enhancement/reduction of guaranteed credit facility

34. If a bank grants an increase in a loan in respect of which a guarantee has already been given by the Fund, it must advise the Fund as soon as the increase is granted. If this increase is more than 25 per cent of the initial loan, the bank must obtain prior approval of the Fund. This should be done on Form ACGSF/3, which must be numbered, and sent to the appropriate office in duplicate. An

endorsement to this effect will be issued by the Fund on Form ACGSF/5. Where the total loan eventually drawn by a borrower is lower than the amount guaranteed by the Fund, the bank shall advise the Fund of the new amount which shall now be regarded as the guaranteed loan.

Extension of a guarantee

35. Where the term of a guaranteed credit facility is to be extended, the bank will after fully satisfying itself of the justification for such extension, advise the Fund of its intention accordingly on Form ACGSF/4 in duplicate. Such advice should be submitted at least one month before the expiry of the existing guarantee. An endorsement to the effect will be issued on Form ACGSF/5.

Variation in other terms and conditions of a guaranteed loan

36. Where a bank approves a change in any of the other terms and conditions governing a loan in respect of which a guarantee has been issued, it must advise the Fund as soon as such approval is given.

Repayment or discontinuation of a credit facility

37. Whenever a guaranteed advance is repaid or the credit facility is otherwise discontinued, the bank should advise the Fund immediately, by providing particulars of the Guarantee Certificate.

Invoking the guarantee

38. Temporary default on the instalmental repayment of a guaranteed loan need not be reported to the Fund if the bank has no intention, either to discontinue the facility or to call up the loan.
39. If, however, the bank does not succeed in its efforts to regularize the account and calls up the loan, it should serve the Fund with a "Notice of Default" by completing Form ACGSF/6 in duplicate copies and attach the correspondence between the bank and the customer since the default was noticed.
40. Where a default relates to a lump sum repayment or the last instalmental repayment of a loan, the bank should serve the Fund with "Notice of Default" as in paragraph 39 above.

- 41.** After giving "Notice of Default" in the prescribed manner, the bank should make further efforts as it thinks fit to recover the amount in default from the borrower or his sureties, if any, and may, for that purpose, dispose of any security obtained in respect of the loan if possible.
- 42.** If any balance remains outstanding after the above step has been taken, or where the recovery of any amount outstanding is impracticable, the bank may apply to the Fund for payment on "Guarantee Claim" Form ACGSF/7 in accordance with terms of the guarantee.
- 43.** If within six months from the date of receipt of "Notice of Default" no "Guarantee Claim" form is received by the Fund, it will be presumed that the bank has recovered its loan and the Fund shall be deemed to have been discharged from its liability under the guarantee.
- 44.** A claim under the guarantee should be submitted in duplicate by the lending bank's Head Office to the Fund at the Head Office of the Central Bank Nigeria on the prescribed form (Form ACGSF/7). In order to facilitate prompt settlement of claim, the bank should ensure that the application is complete in all respects and that the pre-requisites as set out in the Scheme are duly complied with.
- 45.** If the claim is in order, the amount payable under the guarantee will be remitted to the Head Office of the claiming bank through E-payment.
- 46.** Upon a payment being made as provided for above, the Fund shall be deemed to have been discharged from all its liabilities under the guarantee.
- 47.** The amount received from the Fund in settlement of a claim under the Scheme belongs to the bank and should not be credited to the account of the borrower who will remain liable to the bank for his total indebtedness. After invocation of the guarantee, the bank should continue to exercise the same diligence in recovering the amount in all the ways open to it as it might have exercised if no guarantee had been issued by the Fund.
- 48.** The balance of a loan outstanding in respect of which a claim has been paid by the Fund must not be written off by the bank without the specific consent in writing from the Fund.

49. The Fund if considered necessary will publish names of defaulters in the newspapers and report same to the Credit Information Bureau of Nigeria.

Procedure regarding sharing of post claims recoveries

- 50 All recoveries made by a bank on an account in respect of which it has invoked the guarantee shall be shared between the Fund and the bank in the ratio in which they shared the loss. A statement showing recoveries made so far on the account after invoking the guarantee should be submitted to the Fund while remitting the Fund's share of such recoveries. Such share should be remitted to the Fund not later than the end of the month in which it is received. Where this is not possible because it is received around the end of the month, it must be forwarded to the Fund in the following month.

Submission of returns

- 51 Banks will submit to the Fund progress reports as in Form ACGSF/8 showing particulars of the guarantee advances as at the end of December each year. The report should reach the office of the Central Bank in the State before 28th January of the incoming year.
- 52 The Fund may call for such other returns from time to time as it may require.

Amendments

53. The Guidelines are subject to review from time to time as may be deemed necessary by the Board.

**Agricultural Credit Guarantee Scheme Fund,
C/o Central Bank of Nigeria,
Abuja.**

March 2021