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REF: FPR/DIR/CIR/GEN/05/005

MAY 15, 2015

CIRCULAR TO ALL BANKS AND OTHER FINANCIAL INSTITUTIONS

AMENDMENT TO PRICING OF COMMERCIAL AGRICULTURE CREDIT SCHEME (CACS) AND GUIDELINES

Commercial Agriculture Credit Scheme (CACS), introduced in April 2010, has elicited tremendous interest from the Nigerian public. As part of efforts to sustain the public interest and enhance its operations to meet expectation, the Central Bank of Nigeria (CBN) has revised CACS Guidelines. The revision, which affects Sections 8.0 and 17.0 (b) (iv) of the revised Guidelines, provides as follows:

- Payment of interest on CACS facilities shall not exceed 9.0 per cent, inclusive of all charges. These charges shall be shared in the ratio of 7 per cent to the participating bank and 2 per cent to the CBN;
- Section 8.0 subsection (ii) of the CACS Guidelines has been amended accordingly to reflect the revised interest sharing ratio. The revised fee sharing formula shall take effect from the date of the revised Guidelines;
- Funds shall be released to participating banks at 2.0 per cent interest rate after a confirmation of its intent/readiness to disburse the funds- Section 17.0 (b) (iv) of the extant revised Guidelines.

Participating banks and the banking public are enjoined to note that the revised Guidelines dated April 29, 2015 supersedes the previous ones.

For further information, kindly contact the Director, Development Finance Department, Central Bank of Nigeria, Abuja.

Yours faithfully,


KEVIN N. AMUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

GUIDELINES FOR COMMERCIAL AGRICULTURE CREDIT SCHEME (CACS)

CENTRAL BANK OF NIGERIA (CBN)

AND

FEDERAL GOVERNMENT OF NIGERIA

1.0 Establishment of the Scheme

As part of its developmental role, the Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria, represented by the Federal Ministry of Agriculture and Rural Development (FMARD) established the Commercial Agriculture Credit Scheme, hereinafter referred to as CACS, 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 three (3) 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 CACS.

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 Scheme shall be under the management of the Central Bank of Nigeria through the Board of Directors and the Committee of Governors. The Committee of Governors shall be responsible for the overall administration of the Scheme while the day-to-day implementation of the Scheme shall lie with the Development Finance Department.

The Development Finance Department shall report to the Committee of Governors on all CACS issues.

5.0 Target Agricultural Commodities and Value Chains

A. 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 & Machineries.
- (v) **MARKETING:** Agricultural commodities under the focal investment areas.

- B. Five agricultural commodities namely; **Rice, Fish, Wheat, Sugar and Cotton** as well as their value chains which constitute a huge proportion of food import bill annually shall attract 60% of the fund.

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 with prospects of growing the assets to N150 million, 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 N2.0 billion 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 N50 million 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 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 to be shared between the participating bank and the CBN: 7% and 2% respectively.
- (iii) The Scheme shall terminate on September 30, 2025. This exit date does not apply to the tenor of individual loans and overdrafts which are based on their gestation period.

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:

- (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 that is based on the gestation period of the enterprise/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.

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 Central Bank of Nigeria after release of fund and drawdown to ensure banks fully comply with the objectives of the Scheme. The Development Finance Department of the CBN shall periodically monitor the projects funded under the Scheme, and report to the Committee of Governors.

14.0 Alteration in Other Terms and Condition of CACS Loan

Participating banks shall be required to secure written consent of the Central Bank of Nigeria before making any change(s) 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) Notwithstanding 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.
- (vii) Failure to disburse funds in line with the agreed Disbursement Schedule shall attract penalty at the bank's lending rate as at the time of infraction.
- (viii) Any PB that fails to repatriate expired project funds within 5 working days to the CBN shall be charged a penalty interest rate of MPR + 300 basis points for the period the fund was not repatriated.

16.0 The Key Stakeholders of the Scheme are;

- (i) Federal Government of Nigeria Represented by Federal Ministry of Agriculture and Rural Development (FMA&RD)
- (ii) Central Bank of Nigeria (CBN),
- (iii). Debt Management Office
- (iv) Participating Banks (PBs), and
- (v) 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

- (i) The President of the Federal Republic of Nigeria shall grant approval for the Scheme.
- (ii) 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) Wholly absorb the subsidy which may arise in the pricing of the loan to borrowers
- (iii) Absorb all other incidental/administrative expenses
- (iv) Release funds to participating banks at 2% interest rate after confirmation of intent/readiness of banks to disburse funds
- (v) Receive and process the monthly returns made by the PBs in relation to their loans under the Scheme
- (vi) Conduct spot audit on the PBs as well as monitor and evaluate the borrowers' enterprises in order to ascertain the performance of the Scheme
- (vii) Retrieve funds when guidelines are not strictly adhered to by the participating banks
- (viii) Prepare monthly reports to the Committee of Governors and Board of CBN
- (ix) Retrieve funds from the PBs at the expiration of the loan tenure.
- (x) Make provision for the N200billion bond repayment.
- (xi) Ensure penal charges on infractions
- (xii) Arbitrate between the PBs and Project Promoters
- (xiii) Conduct impact assessment of the scheme
- (xiv) Review the Guidelines from time to time.

(c) Debt Management Office

(i) Issued the Bond on behalf of the FGN

(ii) Raised money from the market

(d) 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.

(d) Borrowers

The borrowers 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, and PBs;
- (iv) Adhere strictly to the terms and conditions of borrowing under 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

19.0 Repayment, Repatriation or Discontinuation of a Credit Facility

- (i) Repayment proceeds from CACS projects shall be repatriated on quarterly basis to the CBN. Whenever a credit facility is discontinued, the PB shall repatriate the funds within 5 working days to the CBN, giving details of the credit facility.
- (ii) Repayment proceed shall be ploughed back under the Scheme as loans for new projects or enhancement for participating projects.

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 CBN informed accordingly.
- (ii) Disbursement of funds must be in accordance with the due diligence of the Participating bank.

21.0 Amendments

This Guideline is subject to review from time to time as may be deemed necessary by the Central Bank of Nigeria.

**DEVELOPMENT FINANCE DEPARTMENT
CENTRAL BANK OF NIGERIA
ABUJA**

APRIL 29, 2015