

***GUIDELINES FOR COMMERCIAL AGRICULTURE  
CREDIT SCHEME (CACS)***

CENTRAL BANK OF NIGERIA (CBN)

AND

FEDERAL MINISTRY OF AGRICULTURE AND WATER RESOURCES  
(FMA&WR)

**1.0 Establishment of 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 Water Resources has established the Commercial Agriculture Credit Scheme, hereinafter referred to as CACS, for promoting commercial agricultural enterprises in Nigeria. 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 bond to be 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, State Governments and the FCTA could also borrow up to 20% of the bond proceeds for on-lending to farmers. The ceiling to the States may be reviewed as the need arises by the Project Management Committee (PMC).

**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) To enhance national food security by increasing food supply and effecting lower agricultural produce and product prices, thereby promoting low food inflation.

(iii) To reduce the cost of credit in agricultural production to enable farmers to exploit the potentials of the sector.

(iv) To 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 and coordinate effectively to ensure the success of the programme. The specific roles of the various stakeholders are spelt out in Section 17.0 of this document. However, for the day to day implementation of the project, the Development Finance Department of the Central Bank and the Commercial Agriculture Development Programme (CADP) Secretariat of the Federal Ministry of Agriculture shall coordinate actions, and report to the Project Management Committee.

The PMC, which meets regularly to review progress and propose changes if required in the running of the programme and advise the relevant stakeholders, shall be composed as follows:-

- Deputy Governor, CBN [Financial Sector Surveillance], Chairman
- National Coordinator, Commercial Agriculture Development Programme, Secretary
- Director, Development Finance, CBN, Member
- One Representative each of the Participating Banks [PBs]
- Executive Director, National Food Reserve Agency Member
- Representative of the Federal Ministry of Finance Member
- Representative of the Large Scale farmers Association Member
- Representative of the Debt Management Office Member

The periodic reports of the PMC shall be sent to the Minister of FMAWR and Governor, CBN – who should also meet from time to time to provide further guidance to the PMC as needs arise.

The Technical Committee of the PMC shall be composed of the Director, Development Finance of the CBN and Consultant CADP, FMWAWR. Both Directors shall liaise on daily basis, and especially issue “no objection” notes to banks upon receipt of loan applications, as well as organize periodic monitoring of projects under the scheme and report to the PMC.

## **5.0 Target Agricultural Commodities**

Key Agricultural commodities to be covered under the scheme are;

- (i) Cultivation of target crops (rice, cassava, cotton, oil palm, wheat, rubber, sugar cane, Jatropha carcus, fruits and vegetable);
- (ii) Livestock (dairy, poultry, piggery)
- (iii) Fisheries;

Credit support to the target commodities shall be administered along the entire value chain of; Production, Storage, Processing, Market and Enterprise development

## **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 N350Million for an integrated farm with prospects of growing the assets to N500Million within the next three years and N200Million for non-integrated farms/agro-enterprise. This however, does not apply to loans obtained by state government for on-lending.

## **7.0 Eligibility for participation in the scheme**

### **(A) Participating Bank (PB)**

The Central Bank of Nigeria shall select, through a competitive process, the banks that will participate in the scheme with adequate considerations for the bank(s)' capacity, assets, branch network,

liquidity, experience in agricultural lending, credit risk exposures, etc. The banks bear the credit risk of the loans. For this phase of the Scheme, the CBN has approved two banks to administer the Fund namely, United Bank for Africa, Plc (UBA) and First Bank of Nigeria, Plc (FBN)

**(B) Borrower**

**(B1) Corporate and Large Scale Commercial Farms/Agro-Enterprises**

To participate in the scheme the borrower shall;

- i. Be a limited liability company with asset base of not less than N350M and having the prospect to grow the net asset to N500Million in the next three years and complies with the provision of the Company and Allied Matters act (1990).
- ii. Have a clear business plan
- iii. Provide up-to-date record on the business operation if any.
- iv. Have out growers programme, where appropriate
- v. Satisfy all the requirement specified by its lending Bank

**(B2) Medium Scale Commercial Farms/Agro-Enterprises**

To participate in the scheme the borrower shall;

- i. Be a limited liability company with asset base of not less than N200M and having the prospect to grow the net asset to N350 Million in the next three years and complies with the provision of the Company and Allied Matters act (1990).
- ii. Have a clear business plan its lending bank
- iii. Provide up-to-date record on the business operation if any.
- iv. Have out growers programme, where appropriate
- v. Satisfy all the requirement specified by its lending Bank

**(B3) State Government/FCT**

To participate in the scheme a state Government/FCT shall

- I. Submit an expression of interest;

- II. Put in place appropriate institutional arrangements by setting up a Secretariat (Special Unit or Agency) staffed with experienced agricultural experts and credit officers dedicated for the administration of the fund to be borrowed which shall be approved by the PMC; and
- III. Sign an irrevocable standing payment order (ISPO) in favour of the CBN to deduct at source the total amount in default from the states(s) on monthly basis of State revenue allocation on behalf of the PB.

## **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 per cent, inclusive of all charges.
- iii. Enhancement of credit facility, extension or rescheduling of payment shall be approved by the PMC

## **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:-

- o 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.
- o A charge on the movable property of the borrower.
- o A life insurance policy, a promissory note or other negotiable security
- o Stocks and shares
- o 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 rolls over
- (ii) The scheme allows for the moratorium in the loan repayment schedule.

## **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 PBs in duplicates; one copy of which will be stamped by the PB concerned and forwarded to the Development Finance Department of CBN and CADP Secretariat of the FMAWR. Both Departments shall set up a joint task-force that promptly (within 48 hours) issues a "no objection" letter to the PB on the loan application, after confirming that the products/purposes conform to the focus of the scheme. Thereafter, the PB can quickly process the loan and effect disbursement.

Applications received by the PB shall be processed promptly and not exceeding thirty days. The banks are expected to set up Task-Forces and Fast-Track processes to ensure prompt service delivery. All applications under the scheme shall be treated by PB's with the same degree of diligence, good faith and competence with which they would normally be expected to treat all applications for loans received in the normal course of their banking business.

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

Both the Development Finance Department of the CBN and the CADP Secretariat of FMAWR shall ensure periodic monitoring of the projects funded under the Scheme, and report to the PMC

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

A participating bank shall require a prior approval of the PMC before it can alter any of the terms and conditions governing a loan in respect of which CACS facility is on-going.

## **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 BOIFA section 60.
- (iii) Charging interest rate higher than prescribed shall attract the penalty stipulated by BOIFA section 60.
- (iv) Any PB that fails to follow the agreed disbursement schedule with the borrower after the receipt of the fund will be charged the prevailing interest rate for the period the fund was not disbursed.
- (v) Any other breach of the guide lines as may be specified form time to time.

### **State Governments/FCT**

- (i) Diversion of funds by the State Government/FCT shall attract a penalty at the PB's average lending rate at the time of the infraction, forfeiture of the ISPO and barred from further participation in the Scheme.
- (II) Any other breach of guidelines as many be specified from time to time.

## **16.0 The key stakeholders of the scheme are;**

- o Federal Government of Nigeria (FGN)
- o Central Bank of Nigeria (CBN)
- o Federal Ministry of Agriculture and Water

- Resources (FMA&WR)
- o Debt management Office (DMO)
- o Participating Banks (PBs)
- o Borrowers (farmers, Agro-Processors, Marketers and State Governments and FCT).

## **17.0 Responsibilities of Stake Holders**

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

- o Specify the rate at which PBs lend to borrowers under the Scheme
- o Absorb the subsidy which may arise in the pricing of the loan to borrowers
- o Absorb all other incidental expenses
- o Select the participating banks under the scheme, with due considerations of the general ability of the banks
- o Receive and process the periodic returns made by the PBs in relation to the loans under the Scheme
- o Conduct regular supervision of the PBs as well as monitor the borrowers' enterprises in order to ascertain the performance of the Scheme
- o Prepare regular reports to the PMC

### **c) The Federal Ministry of Agriculture and Water Resources FMA&WR**

The FMA&WR shall:

- o Conduct monitoring and evaluation of the Scheme

- Undertake periodic review of the enterprises financed under the Scheme
- d) **The Federal Ministry of Finance (FMF)/ Debt Management Office (DMO)**

The FMF/DMO shall:

- a. Issue the Bond on behalf of the FGN
- b. Raise money from the market

e) **The Participating Banks (PBs)**

The PBs shall:

- a. Guarantee safety and purposeful application of funds for on-lending
- b. Lend funds under the Scheme at the specified rate
- c. Render periodic returns under the Scheme as may be specified by the PMC and CBN from time to time.

f) **Borrower**

The borrower shall:

- a. Utilize the funds for the purpose for which it is granted.
- b. Insure the project being financed.
- c. Adhere strictly to the terms and conditions of the Scheme.
- d. Make the project and records available for inspection and verification by the PMC.
- e. Render periodic returns to the PBs as may be required.
- f. State Governments/FCT shall agree to utilize the funds solely for the on-lending to registered cooperative unions, cooperative societies, commodity associations and self-help groups (SHGs) and qualified individuals.

Returns by the banks should be made to the address below:

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

Fax no. 09-61638655

### **19.0 Repayment or Discontinuation of a credit facility**

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

### **20.0 Disbursement of Fund**

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 PMC informed accordingly.

### **21.0 Amendments**

These guidelines are subject to review from time to time as may be deemed necessary by the Project Management Committee

Project Management  
Committee,  
Federal Ministry of Agriculture  
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Kapital Street,  
Area 11, Garki, or

Development Finance  
Department,  
Central Bank of Nigeria,  
Abuja.

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