

A BILL**FOR**

AN ACT TO AMEND THE AGRICULTURAL CREDIT GUARANTEE SCHEME FUND ACT TO PROMOTE COMMERCIAL AGRICULTURE IN NIGERIA; ENSURE CREDIT SUPPORT FOR PRODUCTION, STORAGE, PROCESSING OF TARGET COMMODITIES; MARKET AND ENTERPRISE DEVELOPMENT; PROVIDE CONCESSIONARY FUNDING FOR AGRICULTURE AND FOR OTHER RELATED MATTERS

Sponsored by Senator Andy Uba

[] Commencement

BE IT ENACTED by the National Assembly of the Federal Republic of Nigeria as follows:

1 1. The Agricultural Credit Guarantee Scheme Fund Act CAP NO.
2 of the Laws of the Federation of Nigeria, 2004 (hereinafter referred to as the
3 Principal Act is amended as set out in this Act.

4 2. Section 1 of the Principal Act is amended by inserting a new
5 Sub-sections (3) and (4) and re-arrange accordingly:

6 “3” The Central Bank of Nigeria (CBN) as part of its
7 developmental role, in collaboration with the Federal Government of
8 Nigeria represented by the Federal Ministry of Agriculture and Water
9 Resources has established the Commercial Agriculture Credit Scheme,
10 hereinafter referred to as Commercial Agriculture Credit Scheme, for
11 promoting commercial agricultural enterprises in Nigeria.

12 “4” This Scheme shall under this Act provide fund which shall
13 complement other special initiatives of the Central Bank of Nigeria in
14 providing concessionary funding for agriculture such as the Agricultural
15 Credit Guarantee Scheme (ACGS) which is mostly for small scale farmers,
16 Interest Draw-back scheme and Agricultural Credit Support Scheme.

17 2. The Principal Act is amended by inserting a new sub-section

1 3(a),(b), (c), (d), (e) and to re-arrange the paragraphs accordingly:

2 (a) a representative of the Federal Government of Nigeria;

3 (b) the Governor of Central Bank of Nigeria;

4 (c) the Minister, Federal Ministry of Agriculture and Water
5 Resources;

6 (d) Director-General, Debt management Office;

7 (e) Representatives of Participating Banks.

8 3. The Principal Act is amended by inserting a new Section 3 and re-
9 arrange accordingly:

10 “3. OBJECTIVES OF THE COMMERCIAL AGRICULTURAL SCHEME”

11 The objectives of the scheme shall:

12 (i) To fast track development of the agricultural sector of the Nigerian
13 economy by providing credit facilities to commercial agricultural enterprises
14 at a single digit interest rate;

15 (ii) To enhance national food security by increasing food supply and
16 effecting lower agricultural produce and product prices, thereby promoting
17 low food inflation;

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

20 (iv) To increase output, generate employment, diversify the revenue
21 base, increase foreign exchange earnings and provide input for the industrial
22 sector on a sustainable basis.

23 4. Section 3 of the Principal Act is amended by inserting a sub-section
24 (3), (4) and (5) immediately after sub-section (2):

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

27 (a) The Federal Government of Nigeria shall be the issuer of the Bond;

28 (b) The Central Bank of Nigeria shall:

29 (i) Specify the rate at which PBs lend to borrowers under the Scheme;

30 (ii) Absorb the subsidy which may arise in the pricing of the loan to

- 1 Borrowers;
- 2 (iii) Absorb all other incidental expenses;
- 3 (iv) Select the participating banks under the scheme, with due
4 considerations of the general ability of the banks;
- 5 (v) Receive and process the periodic returns made by the
6 Participating Banks in relation to the loans under the Scheme;
- 7 (vi) Conduct regular supervision of the PBs as well as monitor the
8 borrowers' enterprises in order to ascertain the performance of the Scheme;
- 9 (vii) Prepare regular reports to the Project Management
10 Committee.
- 11 (c) The Federal Ministry of agriculture and Water Resources shall:
- 12 (i) Conduct monitoring and evaluation of the Scheme;
- 13 (ii) Undertake periodic review of the enterprises financed under
14 the Scheme
- 15 5. Section 6 of the Principal Act is amended by inserting new sub-
16 sections (3),(4),(5) and(6)as follows:
- 17 (3) The scheme shall be funded from the proceeds of the
18 N200billion bond which shall be raised by the Debt Management Office
19 (DMO).
- 20 (4) The fund of the Scheme shall be made available to the
21 participating bank(s) to finance commercial agricultural enterprises.
- 22 (5) The State Governments and the Federal Capital Territory
23 Authority could also borrow up to 20% of the bond proceeds for on-lending
24 to farmers. The ceiling to the States may be reviewed as the need arises by
25 the Project Management Committee (PMC).
- 26 (6) Borrowers (farmers, Agro-Processors, Marketers and State
27 Governments and Federal Capital Territory.
- 28 6. Section 3 of the Principal Act is amended by inserting new sub-
29 section (3), (4) and (5) as follows:
- 30 (3) The management of the Commercial Agriculture Scheme shall

1 be responsibility of the Central Bank of Nigeria and the Federal Ministry of
2 Agriculture and Water Resources in collaborating and coordinating effectively
3 to ensure the success of the Scheme.

4 (4) The specific functions of the various stakeholders shall be spelt
5 out in this Act.

6 (5) The day to day implementation of the project, the Development
7 Finance Department of the Central Bank and the Commercial Agriculture
8 Development Programme (CADP) Secretariat of the Federal Ministry of
9 Agriculture shall coordinate actions, and report to the Project Management
10 Committee.

11 7. The principal Act is amended by inserting a new section 4 and re-
12 number accordingly:

13 "4. ESTABLISHMENT OF THE PROJECT MANAGEMENT COMMITTEE"

14 (1) There shall be established a Project Management Committee
15 under this Act.

16 (2) The Project Management Committee, shall meets regularly to
17 review progress and propose changes if required in the running of the
18 programme and advise the relevant stakeholders, shall be composed as
19 follows:

20 (a) Deputy Governor, CBN (Financial Sector Surveillance), as
21 Chairman;

22 (b) National Coordinator, Commercial Agriculture Development
23 Programme, as Secretary;

24 (c) Director, Development Finance, CBN, as Member;

25 (d) One Representative each of the Participating Banks (PBs) as
26 Member;

27 (e) Executive Director, National Food Reserve Agency as Member;

28 (f) Representative of the Federal Ministry of Finance as Member;

29 (g) Representative of the Large Scale farmers Association as
30 Member; and

1 (h) Representative of the Debt Management Office as Member.

2 8. The principal Act is amended by inserting a new Section 5 and
3 re-number accordingly:

4 “5. REPORT OF THE PROJECT MANAGEMENT COMMITTEE”

5 (1) The periodic reports of the Project Management Committee
6 shall be sent to the Minister of Federal Ministry of Agriculture and Water
7 Resources and the Governor, Central Bank of Nigeria - who should also
8 meet from time to time to provide further guidance to the Project
9 Management Committee as needs arise.

10 (2) The Technical Committee of the Project Management
11 Committee shall be composed of the Director, Development Finance of the
12 Central Bank of Nigeria and Consultant Commercial Agricultural
13 Development Programme, Federal Ministry of Agriculture and Water
14 Resources. Both Directors shall liaise on daily basis, and especially issue
15 "no objection" notes to banks upon receipt of loan applications, as well as
16 organize periodic monitoring of projects under the scheme and report to the
17 Project Management Committee.

18 9. The principal Act is amended by inserting a new Section 6 and
19 re-number accordingly:

20 “6. TARGET AGRICULTURAL COMMODITIES”

21 1. The Scheme shall cover key Agricultural commodities like the:

22 (i) Cultivation of target crops (rice, cassava, cotton, oil palm,
23 wheat, rubber, sugar cane, Jatropha carcus, fruits and vegetable);

24 (ii) Livestock (dairy, poultry, piggery);

25 (iii) Fisheries.

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

29 10. The principal Act is amended by inserting a new Section 7 and
30 re-number accordingly:

1 “7.ELIGIBILITY FOR PARTICIPATION IN THE SCHEME”

2 (A) Participating Bank (PB)

3 1. The Central Bank of Nigeria shall select, through a competitive
4 process, the banks that will participate in the scheme with adequate
5 considerations for the bank(s)' capacity, assets, branch network, liquidity,
6 experience in agricultural lending, credit risk exposures, etc.

7 2. The banks bear the credit risk of the loans. For this phase of the
8 Scheme, the CBN has approved two banks to administer the Fund namely,
9 United Bank for Africa, Plc (UBA) and First Bank of Nigeria, Plc (FBN).

10 (B) Borrower

11 (B1) Corporate and Large Scale Commercial Farms/Agro-
12 Enterprises.

13 To participate in the scheme the borrower shall:

14 (i) Be a limited liability company with asset base of not less than
15 N350M and having the prospect to grow the net asset to N500Million in the
16 next three years and complies with the provision of the Company and Allied
17 Matters act (1990);

18 (ii) Have a clear business plan;

19 (iii) Provide up-to-date record on the business operation if any;

20 (iv) Have out growers programme, where appropriate;

21 (v) Satisfy all the requirement specified by its lending Bank.

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

23 To participate in the scheme the borrower shall;

24 (i) Be a limited liability company with asset base of not less than
25 N200M and having the prospect to grow the net asset to N350 Million in the
26 next three years and complies with the provision of the Company and Allied
27 Matters Act (1990);

28 (ii) Have a clear business plan its lending bank;

29 (iii) Provide up-to-date record on the business operation if any;

30 (iv) Have out growers programme, where appropriate.

- 1 (v) Satisfy all the requirement specified by its lending Bank
2 (B3) State Government/Federal Capital Territory
3 To participate in the scheme a state Government/FCT shall:
4 (i) Submit an expression of interest;
5 (ii) Put in place appropriate institutional arrangements by setting
6 up a Secretariat (Special Unit or Agency) staffed with experienced
7 agricultural experts and credit officers dedicated for the administration of
8 the fund to be borrowed which shall be approved by the PMC; and
9 (iii) Sign an irrevocable standing payment order (ISPO) in favour
10 of the CBN to deduct at source the total amount in default from the states(s)
11 on monthly basis of State revenue allocation on behalf of the Participating
12 Banking.
- 13 **11. The principal Act is amended by inserting a new Section 8 and**
14 **re number accordingly:**
- 15 **“8. MODALITIES OF THE SCHEME”**
- 16 (1) (i) Agricultural credit from the participating Banks shall be in
17 the form of loans;
18 (ii) Interest on loan shall not exceed 9 per cent, inclusive of all
19 charges;
20 (iii) Enhancement of credit facility, extension or rescheduling of
21 payment shall be approved by the Project Management Committee.
- 22 **(2) ACCEPTABLE COLLATERAL**
- 23 The security which may be offered to a participating bank for the purpose of
24 any loan under the scheme may be one or more of the following:
- 25 (a) A charge on land in which the borrower holds a legal interest or a
26 right to farm, or a charge on the land including fixed assets, crops or
27 livestock;
28 (b) A charge on the movable property of the borrower;
29 (c) A life insurance policy, a promissory note or other negotiable
30 security;

1 (d) Stocks and shares;

2 (e) Any other collateral acceptable to the participating bank(s);

3 (3) LOAN TENOR

4 (i) Loans shall have a maximum tenor of seven years and/or working
5 capital facility of one year with provision rolls over;

6 (ii) The scheme allows for the moratorium in the loan repayment
7 schedule.

8 (4) LIMIT OF LIABILITY UNDER THE SCHEME

9 (i) The maximum interest rate to the borrower under the scheme shall
10 not exceed 9 per cent, inclusive of all charges;

11 (ii) The interest subsidy of the scheme shall be borne wholly by the
12 Central Bank of Nigeria.

13 (5) PROCEDURE FOR APPLYING FOR THE LOAN

14 (1) All applications for loans under the scheme shall be made to the
15 Participating Banks in duplicates; one copy of which will be stamped by the
16 Participating Bank concerned and forwarded to the Development Finance
17 Department of Central Bank of Nigeria and Committee on Agriculture
18 Development Programme Secretariat of the Federal Ministry of Agriculture
19 and Water Resources. Both Departments shall set up a joint task-force that
20 promptly (within 48 hours), issues a "no objection" letter to the Participating
21 Bank on the loan application, after confirming, that the products/purposes
22 conform to the focus of the scheme.

23 (2) Thereafter, the Participating Bank can quickly process the loan and
24 effect disbursement. Applications received by the Participating Bank shall be
25 processed promptly and not exceeding thirty days. The banks are expected to
26 set up Task-Forces and Fast-Track processes to ensure prompt service delivery.

27 (3) All applications under the scheme shall be treated by Participating
28 Banks with the same degree of diligence, good faith and competence with
29 which they would normally be expected to treat all applications for loans
30 received in the normal course of their banking business.

1 **12. The principal Act is amended by inserting a new Section 9 and**
2 **re-number accordingly:**

3 **“9. VERIFICATION AND MONITORING ON PROJECTS”**

4 **(1) Both the Development Finance Department of the Central**
5 **Bank of Nigeria and the Committee on Agriculture Development**
6 **Programme Secretariat of Federal Ministry of Agriculture and Water**
7 **Resources shall ensure periodic monitoring of the projects funded under the**
8 **Scheme, and report to the Project Management Committee.**

9 **VERIFICATION IN OTHER TERMS AND CONDITION OF LOAN**

10 **(2) A participating bank shall require a prior approval of the Project**
11 **Management Committee before it can alter any of the terms and conditions**
12 **governing a loan in respect of which Commercial Agriculture CS facility is**
13 **on-going.**

14 **INFRACTIONS AND SANCTIONS [PARTICIPATING BANK(S)]**

15 **(3) (i) Diversion of funds by the Participating Bank(s) shall attract**
16 **a penalty at the bank's average lending rate at the time of infraction. In**
17 **addition, such Participating Banks shall be barred from further participation**
18 **under the scheme;**

19 **(ii) Non rendition or false returns shall attract the penalty**
20 **stipulated by Banks and Other Financial Institutions Act section 60;**

21 **(iii) Charging interest rate higher than prescribed shall attract the**
22 **penalty stipulated by Banks and Other Financial Institutions Act section 60;**

23 **(iv) any of the Participating Bank that fails to follow the agreed**
24 **disbursement schedule with the borrower after the receipt of the fund will be**
25 **charged the prevailing interest rate for the period the fund was not disbursed.**

26 **(v) Any other breach of the guide lines as may be specified from**
27 **time to time.**

28 **13. Section 7 of the Principal Act is amended by inserting a new**
29 **sub-sections (3), (4) and (5) immediately after sub-section (2):**

30 **(3) The Participating Banks (PBs);**

1 The Participating Banks shall:

2 (a) Guarantee safety and purposeful application of funds for on-
3 lending;

4 (b) Lend funds under the Scheme at the specified rate;

5 (c) Render periodic returns under the Scheme as may be specified by
6 the PMC and CBN from time to time.

7 (4) Borrower;

8 The borrower shall:

9 (a) Utilize the funds for the purpose for which it is granted;

10 (b) Insure the project being financed;

11 (c) Adhere strictly to the terms and conditions of the Scheme;

12 (d) Make the project and records available for inspection and
13 verification by the Project Management Committee;

14 (e) Render periodic returns to the Participating Banks as may be
15 required; and

16 (f) State Governments/FCT shall agree to utilize the funds solely for
17 the on-lending to registered cooperative unions, cooperative societies,
18 commodity associations and self-help groups (SHGs) and qualified
19 individuals.

20 (5) Repayment or Discontinuation of a credit facility;

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

23 (6) Disbursement of Fund;

24 The Participating Banks and borrowers should strictly adhere to agreed
25 disbursement/repayment schedule. Any deviation from the schedule should be
26 mutually agreed between the parties and the Project Management Committee
27 informed accordingly.

Interpretation

28 14. In this Act, unless the content otherwise:

29 "COMMERCIAL AGRICULTURAL ENTERPRISE" means any farm or Agro-based
30 Enterprise with agricultural asset (excluding land) of not less than N350

1 Million for an integrated farm with prospects of growing the assets to N500
2 Million within the next three years and N200 Million for non-integrated
3 farms/agro-enterprise. This however, does not apply to loans obtained by
4 state government for on-lending.

5 15. This Bill may be cited as the Agricultural Credit Guarantee Citation
6 Scheme Fund Act (Amendment) Bill, 2015.

EXPLANATORY MEMORANDUM.

This Bill seeks to amend the Agricultural Credit Guarantee Scheme Fund Act to promote commercial agricultural enterprises in Nigeria; ensure credit support in production, storage, processing of target commodities; provide market and enterprise development; among other things provide concessional funding in agriculture and for other related matters.

Among other things This Scheme shall under this Act provide fund which shall complement other special initiatives of the Central Bank of Nigeria in providing concessional funding for agriculture such as the Agricultural Credit Guarantee Scheme (ACGS) which is mostly for small scale farmers Interest Draw-back scheme and Agricultural Credit Support Scheme. The scheme shall be funded from the proceeds of the N200 billion bond which shall be raised by the Debt Management Office (DMO).

The fund of the Scheme shall be made available to the participating bank(s) to finance commercial agricultural enterprises.

The State Governments and the Federal Capital Territory Authority 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.