

COMMERCIAL AGRICULTURE CREDIT SCHEME BILL, 2015

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A BILL

FOR

AN ACT TO PROVIDE A REGULATORY FRAMEWORK FOR THE AGRICULTURE CREDIT FUND WHICH SHALL PROMOTE COMMERCIAL AGRICULTURE IN NIGERIA, ENSURE CREDIT SUPPORT FOR PRODUCTION, STORAGE AND PROCESSING OF TARGET COMMODITIES, DEVELOP MARKET AND AGRICULTURAL ENTERPRISE AND FOR OTHER RELATED MATTERS

Sponsored by Senator Mao Ohuabunwa

[] Commencement

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

PART I

1.-(i) There is hereby established for the Federation a Commercial Agriculture Credit Scheme which shall comprise of the Central Bank of Nigeria (CBN), in collaboration with the Federal Government of Nigeria represented by the Ministries of Agriculture and Water resources;

Establishment of the Commercial Agriculture Credit Scheme

(ii) The scheme shall under this Act provide and oversee fund which shall complement other special initiatives of the CBN in providing concessionary funding for agriculture.

2. The objectives of the scheme shall be:

Objectives of the Commercial Agriculture Credit Scheme

(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

1 revenue base, increase foreign exchange earnings and provide input for the
2 industrial sector on a sustainable basis.

Funding of the
Scheme

3 3.-(i) The scheme shall be funded from the proceeds of not less than
4 N500billion bond which shall be raised by the Debt Management Office
5 (DMO), in collaboration with the Central Bank of Nigeria (CBN);

6 (ii) The fund of the scheme shall be made available to the
7 Participating Bank(s) to finance commercial agricultural enterprises.

Administration
of the Fund

8 4.-(i) The fund shall be administered by at least four (4) commercial
9 banks hereinafter referred to as Participating Banks (PBs) which shall be
10 carefully selected by the CBN through a competitive process taking into
11 consideration the banks' capacity, assets, branch network, liquidity experience
12 in agricultural lending, credit risk exposures, etc.

13 PART II

Management
of the Scheme

14 5.-(i) The management of the Commercial Agriculture Credit Scheme
15 shall be the responsibility of the Central Bank of Nigeria and the Federal
16 Ministries of Agriculture and Water Resources in collaborative manner to
17 ensure the success of the Scheme;

18 (ii) The day to day implementation of the project shall be the
19 responsibility of the Development Finance Department of the Central Bank
20 and the Commercial Agriculture Development Programme (CADP)
21 Secretariat of the Federal Ministry of Agriculture and that of Water Resources
22 which shall coordinate actions, and report to the Project Management
23 Committee.

Establishment
of the Project
Management
Committee

24 6.-(i) There shall be established a Project Management Committee
25 under this Act;

26 (ii) The Project Management Committee shall meet regularly to
27 review progress and propose changes if required in the running of the
28 programme and advise the relevant stakeholders, and shall be composed as
29 follows:

30 (a) Deputy Governor, Central Bank of Nigeria (Financial Sector

1 Surveillance), as Chairman;

2 (b) National Coordinator, Commercial Agriculture Development
3 Programme, as Secretary;

4 (c) Director, Development Finance, Central Bank of Nigeria, as
5 Member;

6 (d) One Representative each of the Participating Banks (PBs) as
7 Member;

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

10 (f) A representative each from the Federal Ministry of Finance,
11 Water Resources, Agriculture, Debt Management office, Large Scale
12 Farmers Association as members.

13 (iii) The quarterly report of the committee shall be sent to the
14 Ministers of Agriculture, Water Resources, Finance and Central Bank of
15 Nigeria Governor.

16 7. -(1) The scheme shall cover key agricultural commodities like:

17 (i) Rice, cassava, cotton, oil palm, wheat, rubber, sugar cane,
18 jatropha carcus, fruits and vegetables;

19 (ii) Livestock (dairy, poultry, piggery etc);

20 (iii) Fisheries.

21 (2) Any other activity as may be specified from time to time.

22 8. -(1) Corporate and Large Scale Commercial Farm/Agro
23 Enterprises:

24 (i) Integrated large scale farm or Agro-based Enterprise with assets
25 not less than N350million with prospects of growing the assets to
26 N500million on within 3years;

27 (iii) Non-Integrated Commercial Farm/Agro Enterprises with
28 assets not less than N200million with prospect of growing the assets to
29 N350million within the next 3years.

30 (2) State Government/FCT:

Target
Agricultural
Commodities

Eligibility of
borrower under
the scheme

1 All State Governments/FCT can access up to 20% of the fund through
2 specialized agencies or secretariat established for the purpose of on-lending
3 such funds to cooperative unions, cooperative societies, self help groups and
4 agricultural commodities association in their respective states.

Eligibility for
participation
in the scheme

5 9.-(1) To participate in the scheme the borrower shall:

6 (i) Be a limited liability company and shall comply with the
7 provisions of the Companies and Allied Matters Act (1990);

8 (ii) Have a clear business plan;

9 (iii) Provide up-to-date record on its business operations if any.

10 (2) To participate in the scheme a State Government/FCT shall:

11 (i) Submit an expression of interest;

12 (ii) Put in place appropriate institutional arrangements by setting up a
13 secretariat (special Unit or agency) staffed with experienced agricultural
14 experts and credit officers dedicated for the administration of the fund to be
15 borrowed which shall be approved by the Project Management Committee;
16 and

17 (iii) Sign an Irrevocable Standing Payment Order (ISPO) in favour of
18 the Central Bank of Nigeria to deduct at source the total amount in default from
19 the state(s) on monthly basis of State revenue allocation on behalf of the
20 Participating Banks.

Modalities of
the scheme

21 10.-(1) Agricultural credit from the participating banks shall be in the
22 form of loans or overdraft.

23 (2) Interest on loan shall not exceed 5 percent, inclusive of all charges.

24 (3) Loan tenure under the scheme shall be a maximum of 10 years.

25 (4) Enhancement of credit facility, extension or rescheduling of
26 payment shall be approved by the Project Management Committee.

27 (5) The interest subsidy shall be borne-wholly by the Central Bank of
28 Nigeria.

Acceptable
Collateral

29 11. The security which may be offered to a participating bank for the
30 purpose of any loan under the scheme may be one or more of the following:

- 1 (a) A charge on the movable property of the borrower;
- 2 (b) A charge on land in which the borrower holds a legal interest or
- 3 a right to farm, or a charge on the land including fixed assets, crop or
- 4 livestock;
- 5 (c) A life insurance policy, a promissory note or other negotiable
- 6 security;
- 7 (d) Stocks and shares;
- 8 (e) Any other collateral acceptable to the participating bank(s).

9 **12.**-(1) All applications for loans under the scheme shall be made to

10 the Participating Banks in duplicates; one copy of which will be stamped by

11 the Participating Bank concerned and forwarded to the Development

12 Finance Department of Central Bank of Nigeria and Committee on

13 Agriculture Development and Water Resources. Both departments shall set

14 up a joint task-force that promptly (within 48 hours) issues a "no objection"

15 letter to the Participating Bank on the loan application, after confirming that

16 the products/purposes conform to the focus of the scheme.

Procedure for
applying for the
Loan

17 (2) Thereafter, the Participating Bank shall quickly process the

18 loan and effect disbursement. Applications received by the Participating

19 Bank shall be processed promptly and not exceeding thirty days. The banks

20 shall set up Task-Forces and fast-track processes to ensure prompt service

21 delivery.

22 (3) All applications under the scheme shall be treated by

23 Participating Bank with high degree of diligence, good faith and

24 competence.

25 **13.** Both the Development Finance Department of the Central

26 Bank of Nigeria and the Committee on Agriculture Development

27 Programme Secretariat of Federal Ministry of Agriculture and Water

28 Resources shall ensure periodic monitoring of the projects funded under the

29 scheme, and report to the Project Management Committee.

Verification and
Monitoring of
projects

Verification of other terms and conditions of loan	1 2 3 4	<p>14. A participating bank shall require a prior approval of the Project Management Committee before it can alter any of the terms and conditions governing a loan in respect of which Commercial Agriculture facility is on-going.</p>
Infractions and sanctions [Participating Bank(s)]	5 6 7 8 9 10 11 12 13 14 15 16 17	<p>15. -(i) Diversion of funds by the Participating Bank(s) shall attract a penalty at the bank's average lending rate at the time of infraction. In addition, such Participating Banks shall be barred from further participation under the scheme;</p> <p>(ii) Non rendition or false returns shall attract the penalty stipulated by Banks and other Financial Institutions Act section 60;</p> <p>(iii) Charging interest rate higher than prescribed shall attract the penalty stipulated by Banks and other Financial Institutions Act section 60;</p> <p>(iv) Any of the Participating Banks that fails to follow the agreed disbursement schedule with the borrower after the receipt of the fund shall be charged the prevailing interest rate for the period the fund was not disbursed.</p> <p>(v) Any other breach of the guide lines as may be specified from time to time.</p>
Borrower	18 19 20 21 22 23 24 25 26 27 28	<p>16. The borrower shall:</p> <p>(a) Utilize the funds for the purpose for which it is granted;</p> <p>(b) Insure the project being financed;</p> <p>(c) Adhere strictly to the terms and conditions of the scheme;</p> <p>(d) Make the project and records available for inspection and verification by the Project Management Committee;</p> <p>(e) Render periodic returns to the participating Banks as may be required; and</p> <p>(f) State Government/FCT shall agree to utilize the funds solely for on lending to registered cooperative unions, cooperative societies, commodity associations and self-help groups and qualified individuals.</p>
Repayment or discontinuation of a Credit facility	29 30	<p>17. Whenever a credit facility is otherwise discontinued, the Participating Banks shall advise the Project Management Committee</p>

1 immediately, giving particulars of the credit facility.

2 **18.** The Participating Banks and borrowers shall strictly adhere to Disbursement of
3 agree disbursement/repayment schedule. Any deviation from the schedule Fund
4 shall be mutually agreed between the parties and the Project Management
5 Committee informed accordingly.

6 **19.** This Bill may be cited as Commercial Agriculture Credit Citation
7 Scheme Bill, 2015.

EXPLANATORY MEMORANDUM

This bill seeks to provide a regulatory framework for the agricultural credit fund which shall promote commercial agriculture in Nigeria, ensure credit support for production, storage and processing of target commodities, develop market and agricultural enterprise and for other related matters.

Among other things, the scheme shall 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, etc.