

NIGERIA INCENTIVE-BASED RISK SHARING SYSTEM FOR AGRICULTURAL
LENDING (NIRSAL) AGENCY (ESTABLISHMENT, ETC.) BILL, 2020

ARRANGEMENT OF SECTIONS

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A BILL

FOR

AN ACT TO ESTABLISH THE NIGERIA INCENTIVE-BASED RISK SHARING SYSTEM FOR AGRICULTURAL LENDING (NIRSAL) AGENCY WHOSE FUNCTION AMONG OTHER THINGS SHALL BE TO ENABLE THE FLOW OF AFFORDABLE FINANCING TO ALL PLAYERS ALONG ENTIRE AGRICULTURAL VALUE CHAINS; TO REDUCE THE RISKS OF FINANCING INSTITUTIONS WHILE GRANTING AGRICULTURAL LOANS BY BUILDING THE CAPACITIES OF BOTH BANKS AND VALUE CHAIN ACTORS ON GOOD PRACTICES IN AGRICULTURAL FINANCING, LOANS UTILIZATION AND REPAYMENT; AND TO ESTABLISH THE GOVERNING COUNCIL OF THE AGENCY TO FUNCTIONS OF THE AGENCY; AND FOR RELATED MATTERS

Sponsored by Hon. Benjamin Okezie Kalu

[] Commencement

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

1 PART I - ESTABLISHMENT OF THE NIGERIA INCENTIVE-BASED RISK
2 SHARING SYSTEM FOR AGRICULTURAL LENDING (NIRSAL) AGENCY

3 1.-(1) There is hereby established the Nigeria Incentive-Based
4 Risk Sharing system for Agricultural Lending (NIRSAL) Agency (in this
5 Bill referred to as “the Agency”) which shall have such powers and exercise
6 such functions as are conferred on it by this Bill.

Establishment of the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending Agency (NIRSAL) Agency

7 (2) The Agency shall be a body corporate with perpetual
8 succession and a common seal and shall have power to acquire and dispose
9 of interests in movable and immovable property and may sue and be sued in
10 its corporate name.

11 2.-(1) The governance of the Agency and the direction of its affairs
12 shall vest in the Governing Council of the Agency (in this Bill referred to as
13 “the Council”).

Governing Council of the Agency

1 (2) Without prejudice to the generality of subsection (1) of this
2 section, it shall be the responsibility of the Council to consider and approve-

3 (a) the plan of activities of the Agency;

4 (b) the research to be undertaken by the Agency;

5 (c) the annual estimates of the Agency; and

6 (d) the investment plans of the Agency.

7 (3) The provisions of the First Schedule to this Bill shall have effect
8 with respect to the Council as specified therein.

Director-General,
Principal Officers
and Staff of the
Agency

9 **3.**(1) The Agency shall consist of a Director-General and the
10 following other members, to be appointed by the President on the
11 recommendation of the Minister-

12 (a) a representative of the Federal Ministry responsible for
13 Agriculture and Rural Development;

14 (b) a representative of the Universities and Colleges of Agriculture;

15 (c) six persons appointed on individual merit from the six geo-
16 political zone of the Federation who should have wide experience of
17 Agriculture;

18 (d) one representative of the Central Bank of Nigeria;

19 (e) a representative of the Federal Ministry of Finance ;

Tenure of office
of members of
the Council

20 **4.**(1) A member of the Council (other than an ex-officio member)
21 shall hold office for a term of 3 years and subject to the provisions of subsection

22 (2) of this section, shall be eligible for reappointment for a further
23 period of 3 years and no more.

24 (2) The office of a member appointed under sections 3(1)(c) of this
25 Bill shall become vacant if-

26 (a) the member resigns his office by notice in writing under his hand,
27 addressed to the Minister; or

28 (b) the Minister is satisfied that it is not in the interest of the Agency
29 for the person appointed to continue in office and notifies the member in
30 writing to that effect.

- 1 **5.** The objectives and functions of the Agency shall be to- Objectives and
2 (a) enable the flow of affordable financing to all players along functions of the
3 entire agricultural value chains; Agency
- 4 (b) reduce the risks of financing institutions while granting
5 agricultural loans by building the capacities of both banks and value chain
6 actors on good practices in agricultural financing, loans utilization and
7 repayment;
- 8 (c) address the causes of low funding levels in the agriculture
9 sector, including lack of understanding of the sector, perceived high risks,
10 complex credit assessment processes/procedures, and high transaction
11 costs;
- 12 (d) fix agricultural value chains in order to provide a reliable
13 platform for de-risking agricultural lending;
- 14 (e) mobilize financing for Nigerian agribusiness by using credit
15 guarantees to address the risk of default;
- 16 (f) provide technical assistance through capacity building across
17 the value chains;
- 18 (g) reduce the cost of borrowing by agricultural producers from
19 commercial banks; and
- 20 (h) to provide technical advice to agribusinesses
- 21 **6.** For the carrying out of the functions of the Agency, the Council Powers of the
22 shall have powers to- Council
- 23 (a) plan of activities of the Agency;
- 24 (b) carry out research that is to be undertaken by the Agency;
- 25 (c) plan, review and implement the annual estimates of the Agency;
- 26 (d) provide amenities for and make such other provision for the
27 welfare of the staff of the Agency;
- 28 (e) outline the various investment plans of the Agency.
- 29 (f) invest the funds of the Agency in securities specified by law or
30 in such other securities in Nigeria as may be approved by the Minister;

1 (g) borrow money within Nigeria in such manner and upon such
2 security as the Minister may from time to time authorise;

3 (h) enter into such contracts as may be necessary or expedient for
4 carrying into effect the objectives and functions of the Agency;

5 (i) recruit staff of the right cadre and determine the career structure of
6 such staff;

7 (j) establish and maintain such training centers and other teaching
8 units within the Agency or extramural departments as the Council may, from
9 time to time, decide; and

10 (k) do such acts and things whether or not incidental to the foregoing
11 powers as may advance the objectives and functions of the Agency.

Power of Minister
to give direction
to the Council

12 **7.** Subject to the provisions of this Bill, the Minister may give to the
13 Council directions of a general character or relating generally to matters of
14 policy with regard to the exercise by the Council of its functions under this Bill
15 and it shall be the duty of the Council to comply with such directions.

Resignation of
appointment of
principal officers

16 **8.** A principal officer may resign his appointment –

17 (a) in the case of the Director-General, by notice in writing to the
18 Ministry; and

19 (b) in any other case, by notice in writing to the Council.

Other employees
of the Agency

20 **9.-(1)** The Council may appoint such other persons to be employees of
21 the Agency as the Council may determine to assist the Director-General in the
22 performance of his functions under this Bill.

23 (2) Subject to the provisions of this Bill, the remuneration, tenure of
24 office and conditions of service of the employees of the Council shall be
25 determined by the Council in consultation with the Federal Civil Service
26 Commission.

Selection Board
for Other principal
officers

27 **10.-(1)** There shall be, for the Agency, a selection Board which shall
28 consist of-

29 (a) the Chairman of the Council; and

30 (b) 4 other members of the Council.

1 (2) The functions, procedure and other matters relating to the
2 Selection Board constituted under subsection (1) of this section shall be as
3 the Council may, from time to time, determine.

4 11.-(1) The service in the Agency shall be approved service for the Pensions
5 purposes of the Pensions Act and, accordingly, officers and other persons
6 employed in the agency shall in respect of their service in the Agency be
7 entitled to pensions, gratuities and other retirement benefits as are
8 prescribed, so however that nothing in this Bill shall prevent the
9 appointment of a person to any office on terms which preclude the grant of a
10 pension and gratuity in respect of that office.

11 (2) For the purposes of the application of the provisions of the
12 Pensions Reform Act, any power exercisable by a Minister or other
13 authority of the Government of the Federation shall be exercisable by the
14 Agency and not by any other person or authority.

15 PART II - FINANCIAL PROVISIONS

16 12.-(1) The Council shall establish and maintain a fund which shall Establishment
17 be applied towards the promotion of the provisions of this Bill. of fund of the
Agency

18 (2) There shall be paid and credited to the fund established under
19 subsection (1) of this section-

20 (a) such sums as may from time to time be granted to the Council by
21 the Federal Government;

22 (b) all moneys raised for the purposes of the Council by way of
23 gifts, grants-in-aid or testamentary disposition; and

24 (c) all subscriptions, fees and charges for services rendered by the
25 Council and all other sums that may accrue to the Council from any source.

26 (3) The Council shall submit to the Minister, through the Federal
27 Ministry responsible for Agriculture and Rural Development, not later than
28 3 months before the end of each financial year or at such other time as he
29 may direct, an estimate of its revenue and expenditure for the next
30 succeeding financial year.

Share capital of the Agency	1	13. The initial share capital of the Agency shall be subscribed by the
	2	Federal Government, State and Local Governments, the Nigeria Labour
	3	Congress and individual Nigerians.
Power to raise funds	4	14. Without prejudice to the provisions of its Articles of Association,
	5	the Agency may, with the approval of the Minister responsible for Agriculture
	6	and Rural Development, raise funds of such amount (in foreign currency) from
	7	any one or more of the following sources, that is—
	8	(a) the International Bank for Reconstruction and Development (the
	9	World Bank);
	10	(b) the International Development Association;
	11	(c) the European Investment Bank and Fund;
	12	(d) the African Development Bank;
	13	(e) bilateral loans and grants on government to government basis;
	14	(f) Shelter Afrique and other donors; and
	15	(g) other multilateral loans and donor agencies.
Power to accept gifts	16	15. -(1) The Council may accept gifts of land, money or other property
	17	upon such terms and conditions if any, as may be specified by the person
	18	making the gift.
	19	(2) The Council shall not accept any gift if the conditions attached by
	20	the person making the gift are inconsistent with the objectives and functions of
	21	the Council.
Power to manage other offshore funds procured for agricultural lending	22	16. Powers to manage other offshore funds procured for the Agency
	23	Funds obtained from the aforementioned sources and other off-shore sources,
	24	other than by the Agency, which are meant for the achievement of the
	25	objectives and functions of the Agency whether by way of general loans, tied
	26	loans, bilateral loans, or grants on government to government basis shall be
	27	channeled through the Agency and it shall be responsibility of the council to
	28	manage such funds for the Agency.
Accounts and audit	29	17. The Council shall keep proper accounts of its receipts, payments,

1 assets and liabilities and shall in respect of each year cause the accounts to be
2 audited.

3 **18.** The Council shall as soon as may be after the expiration of Annual reports
4 each financial year, prepare and submit to the Minister a report of its
5 activities during the immediately preceding financial year and shall include
6 in the report a copy of the audited accounts of the Agency for that year and of
7 the auditor's report on the accounts.

8 PART III - MISCELLANEOUS AND SUPPLEMENTARY

9 **19.**-(1) For the purpose of providing offices and premises Offices and
10 necessary for the performance of its functions, the Council may – premises

11 (a) purchase any interest in or take on lease any land; and

12 (b) build, equip and maintain offices and premises.

13 (2) The Council may, with the approval of the Minister, sell any
14 interest in or lease any land, offices or premises held by it and no longer
15 required for the performance of its functions.

16 **20.** The Agency and the beneficiaries of its facilities shall be Exemptions
17 exempted from the provisions of the Land Use Act with regard to the size of
18 urban land an individual or a body corporate may hold, provided that the
19 facilities to the individual or body corporate shall be utilised for the purposes
20 specified in this Bill.

21 **21.** This Bill consequential amends and repeals the provisions of Consequential
22 the Nigerian Agricultural Insurance Corporation Act, 1993 and the Bank of amendments and
23 Agriculture Act (formerly Nigerian. Agricultural Cooperative and Rural repeals
24 Development Bank (NACRDB) Act, 1973).

25 **22.**-(1) The Agency shall-

26 (a) upon request provide facility to equip agricultural producers Offences, penalties
27 with knowledge and expertise that helps them borrow and use loans more and incentives
28 effectively so they can produce more and better quality goods for the
29 market;

30 (b) grant incentives to banks in terms of financial support for

1 initiatives that support agricultural lending and in the form of non-monetary
2 prizes;

3 (c) to foster competition among Banks, give an award to such top
4 banks whose initiatives support agricultural lending and when a bank wins an
5 award, it must submit a proposal within three months on how it will invest in
6 building its agricultural lending capabilities;

7 (d) deploy the technical assistance facility to equip banks with the
8 expertise and knowledge they require to lend sustainably to the agriculture
9 sector;

10 (e) upon request, use its facility to equip agricultural producers with
11 knowledge and expertise that helps them borrow and use loans more
12 effectively so they can produce more and better quality goods for the market;
13 and

14 (f) shall determine the percentage of risk to share with banks ranging
15 from 30% to 75% of face value depending on segment. This also includes a
16 guarantee fee of 1% per annum on outstanding protected principal and interest.
17 Up to 40% of interest cost rebated to select value chain participants every 90
18 days if loan remains in good standing (no partial or full default). All crops,
19 livestock and related supportive economic activity across the value chain are
20 supported by this facility.

21 (2)The nature for and the criteria of the award under subsection 1(c)
22 of this section shall be determined the Council and approved by the Minister.

23 (3) Where any person contravenes the provisions of this Bill, he shall
24 be guilty of an offence and shall be liable to an imprisonment of 2years or fine
25 of N1,000,000 or to both.

Interpretation

26 **23.** In this Bill, unless the context otherwise requires-

27 “Chairman” means the chairman of the Council;

28 “Council” means the Council of the Agency established by or pursuant to
29 section 2 of this Bill;

30 “Functions” includes powers and duties;

1 “Minister” means the Minister charged with responsibility for matters
2 relating to Agriculture and Rural Development.

3 “Member” means a member of the Council including the chairman.

4 “President” means the President and Commander in Chief of the Federal
5 Republic of Nigeria.

6 **25.** This Bill may be cited as the Nigeria Incentive-Based Risk
7 Sharing system for Agricultural Lending (NIRSAL) Agency
8 (Establishment, etc.) Bill, 2020.

9 SCHEDULE

10 FIRST SCHEDULE

11 SUPPLEMENTARY PROVISIONS RELATING TO THE COUNCIL, ETC.

12 *Terms of service*

13 1. There may be paid to the members of the Council of any
14 committee, other than ex-officio members, such remuneration and
15 allowances as may from time to time be determined by the President.

16 2. Where a vacancy occurs in respect of the membership specified
17 in section 3(1)(c), it shall be filled by the appointment of a successor to hold
18 office for the remainder of the term of office of his predecessor in office and
19 such successor shall represent the same interest as his predecessor.

20 3. The Council may act notwithstanding any vacancy in its
21 membership or any defect in the appointment of a member or the absence of
22 a member.

23 *Proceeding*

24 4.-(1) The Council shall meet for the conduct of business at such
25 times, places and on such days as the chairman may appoint but shall meet
26 not less than once every four months.

27 (2) The chairman may at any time and shall, at the request in
28 writing of not less than five members, convene a meeting of the Council.

29 (3) At any meeting of the Council the chairman shall preside; but in

1 his absence, members present shall elect one of their members to preside at the
2 meeting.

3 (4) Where the Council desires to obtain the advice of any person on
4 any particular matter, the Council may co-opt persons who are not members of
5 the Council but persons co-opted shall not be entitled to vote at a meeting of the
6 Council.

7 (5) The quorum of the Council shall be one half of the total members
8 of the Council, at least one of whom shall be a member appointed by the
9 President.

10 (6) Decisions of the Council shall be made on approval by a simple
11 majority of members.

12 *Miscellaneous*

13 5.-(1) The fixing of the seal of the Agency shall be authenticated by
14 the signature of the chairman and some other members of the Council
15 authorised generally or specially by the Council to act for that purpose.

16 (2) Any contract or instrument which, if made or executed by a person
17 other than a body corporate would not be required to be under seal may be made
18 or executed on behalf of the College by any person generally or specially
19 authorised to act for that purpose by the Council.

20 (3) Any document purporting to be duly executed under the seal of the
21 Agency shall be received in evidence and shall, unless the contrary is proved,
22 be presumed to be so executed.

EXPLANATORY MEMORANDUM

This Bill seeks to establish the Nigeria Incentive-Based Risk Sharing system for Agricultural Lending (NIRSAL) Agency whose function among other things shall be to enabling the flow of affordable financing to all players along entire agricultural value chains, to reduce the risks of financing institutions while granting agricultural loans by building the capacities of both banks and value chain actors on good practices in agricultural financing, loans utilization and repayment; and to establish the Governing Council of the Agency perform the functions of the Agency