

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 RELATED MATTERS

Sponsored by Hon. Tochukwu Okere

[] 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. Amendment of
2 of the Laws of the Federation of Nigeria, 2004 (hereinafter referred to as the the Principal Act
3 Principal Act is amended as set out in this Act.

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

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.

Insertion of a
new Section 3

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.

Amendment of
Section 3

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;

- 1 (ii) Absorb the subsidy which may arise in the pricing of the loan to
2 Borrowers;
- 3 (iii) Absorb all other incidental expenses;
- 4 (iv) Select the participating banks under the scheme, with due
5 considerations of the general ability of the banks;
- 6 (v) Receive and process the periodic returns made by the
7 Participating Banks in relation to the loans under the Scheme;
- 8 (vi) Conduct regular supervision of the PBs as well as monitor the
9 borrowers' enterprises in order to ascertain the performance of the Scheme;
- 10 (vii) Prepare regular reports to the Project Management
11 Committee.

12 (c) The Federal Ministry of agriculture and Water Resources shall:

- 13 (i) Conduct monitoring and evaluation of the Scheme;
- 14 (ii) Undertake periodic review of the enterprises financed under
15 the Scheme

16 5. Section 6 of the Principal Act is amended by inserting new sub-
17 sections (3),(4),(5) and(6)as follows:

Amendment of
Section 6

18 (3) The scheme shall be funded from the proceeds of the
19 N200billion bond which shall be raised by the Debt Management Office
20 (DMO).

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

23 (5) The State Governments and the Federal Capital Territory
24 Authority could also borrow up to 20% of the bond proceeds for on-lending
25 to farmers. The ceiling to the States may be reviewed as the need arises by
26 the Project Management Committee (PMC).

27 (6) Borrowers (farmers, Agro-Processors, Marketers and State
28 Governments and Federal Capital Territory.

29 6. Section 3 of the Principal Act is amended by inserting new sub-
30 section (3), (4) and (5) as follows:

Amendment of
Section 3

1 (3) The management of the Commercial Agriculture Scheme shall be
2 responsibility of the Central Bank of Nigeria and the Federal Ministry of
3 Agriculture and Water Resources in collaborating and coordinating effectively
4 to ensure the success of the Scheme.

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

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

Insertion of a
new section 4

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

14 “4. ESTABLISHMENT OF THE PROJECT MANAGEMENT COMMITTEE”

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

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

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

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

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

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

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

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

1 (g) Representative of the Large Scale farmers Association as
2 Member; and

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

4 **8.** The Principal Act is amended by inserting a new Section 5 and
5 re-number accordingly:

Insertion of a
new section 5

6 “5. REPORT OF THE PROJECT MANAGEMENT COMMITTEE”

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

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

20 **9.** The principal Act is amended by inserting a new Section 6 and
21 re-number accordingly:

Insertion of a
new section 6

22 “6. TARGET AGRICULTURAL COMMODITIES”

23 (1) The Scheme shall cover key Agricultural commodities like the:

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

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

27 (iii) Fisheries.

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

Insertion of a
new section 7

1 **10.** The principal Act is amended by inserting a new Section 7 and re-
2 number accordingly:

3 “7.ELIGIBILITY FOR PARTICIPATION IN THE SCHEME”

4 (A) Participating Bank (PB):

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

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

12 (B) Borrower:

13 (B1) Corporate and Large Scale Commercial Farms/Agro-
14 Enterprises.

15 To participate in the scheme the borrower shall:

16 (i) Be a limited liability company with asset base of not less than
17 N3S0M and having the prospect to grow the net asset to N500Million in the
18 next three years and complies with the provision of the Company and Allied
19 Matters act (1990);

20 (ii) Have a clear business plan;

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

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

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

24 (B2) Medium Scale Commercial Farms/Agro-Enterprises:

25 To participate in the scheme the borrower shall;

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

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

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

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

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

4 (B3) State Government/Federal Capital Territory:

5 To participate in the scheme a state Government/FCT shall:

6 (i) Submit an expression of interest;

7 (ii) Put in place appropriate institutional arrangements by setting
8 up a Secretariat (Special Unit or Agency) staffed with experienced
9 agricultural experts and credit officers dedicated for the administration of
10 the fund to be borrowed which shall be approved by the PMC; and

11 (iii) Sign an irrevocable standing payment order (ISPO) in favour
12 of the CBN to deduct at source the total amount in default from the states(s)
13 on monthly basis of State revenue allocation on behalf of the Participating
14 Banking.

15 **11.** The principal Act is amended by inserting a new Section 8 and
16 re number accordingly:

Insertion of a
new section 8

17 “8. MODALITIES OF THE SCHEME”

18 (1) (i) Agricultural credit from the participating Banks shall be in
19 the form of loans;

20 (ii) Interest on loan shall not exceed 9 per cent, inclusive of all
21 charges;

22 (iii) Enhancement of credit facility, extension or rescheduling of
23 payment shall be approved by the Project Management Committee.

24 (2) ACCEPTABLE COLLATERAL

25 The security which may be offered to a participating bank for the purpose of
26 any loan under the scheme may be one or more of the following:

27 (a) A charge on land in which the borrower holds a legal interest or a
28 right to farm, or a charge on the land including fixed assets, crops or
29 livestock;

30 (b) A charge on the movable property of the borrower;

1 (c) A life insurance policy, a promissory note or other negotiable
2 security;

3 (d) Stocks and shares;

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

5 (3) LOAN TENOR

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

8 (ii) The scheme allows for the moratorium in the loan repayment
9 schedule.

10 (4) LIMIT OF LIABILITY UNDER THE SCHEME:

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

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

15 (5) PROCEDURE FOR APPLYING FOR THE LOAN:

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

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

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

1 Banks with the same degree of diligence, good faith and competence with
2 which they would normally be expected to treat all applications for loans
3 received in the normal course of their banking business.

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

Insertion of a
new section 9

6 “9. VERIFICATION AND MONITORING ON PROJECTS”

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

12 VERIFICATION IN OTHER TERMS AND CONDITION OF LOAN:

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

17 INFRACTIONS AND SANCTIONS [PARTICIPATING BANK(S)]:

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

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

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

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

29 (v) Any other breach of the guide lines as may be specified form
30 time to time.

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

3 (3) The Participating Banks (PBs)

4 The Participating Banks shall:

5 (a) Guarantee safety and purposeful application of funds for on-
6 lending;

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

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

10 (4) Borrower

11 The borrower shall:

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

13 (b) Insure the project being financed;

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

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

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

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

23 (5) Repayment or Discontinuation of a credit facility:

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

26 (6) Disbursement of Fund

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

- 1 **14.** In this Act, unless the content otherwise: Interpretation
- 2 “Commercial Agricultural Enterprise” means any farm or Agro-based
- 3 Enterprise with agricultural asset (excluding land) of not less than N350
- 4 Million for an integrated farm with prospects of growing the assets to
- 5 N500Million within the next three years and N200Million for non-
- 6 integrated farms/agro-enterprise. This however, does not apply to loans
- 7 obtained be state government for on-lending.
- 8 **15.** This Bill may be cited as the Agricultural Credit Guarantee Citation
- 9 Scheme Fund Act (Amendment) Bill, 2024.

EXPLANATORY MEMORANDUM

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