



## CENTRAL BANK OF NIGERIA

### NON INTEREST GUIDELINES FOR THE ACCELERATED AGRICULTURAL DEVELOPMENT SCHEME (AADS)

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#### **1. Purpose**

The objective of the Programme is to engage a minimum of 370,000 youths in agricultural production across the country over the next three years in order to reduce unemployment among the youths in the country.

#### **2. Objectives of the Scheme**

The broad objective of the AADS is to increase agricultural production towards food security, job creation and economic diversification.

##### **a. The specific objectives** are to:

- i. Promotion of National food security in each State through sustained interactions amongst stakeholders in the agricultural value chain;
- ii. Collaboration amongst State Governments, the CBN and relevant other stakeholders to create jobs in the agricultural sector, with strong focus on crops where States have comparative advantage; and
- iii. Provision of short and medium term funding windows for the implementation of the Scheme

##### **b. Target Group:**

Nigerian youths within the ages of 18 to 35 years

##### **c. Focal Activities:**

Two Agricultural Commodities where the state has comparative advantage

### **3. Operational Framework:**

#### **3.1 Mobilization and Clustering**

- i. State government to mobilize prospective young farmers with representation from all Senatorial Zones
- ii. State Governments/FCT to provide agricultural land in contiguous locations in all senatorial Zones. Minimum of 100 hectares per cluster
- iii. Prospective entrepreneurs (that meet the eligibility criteria) shall be grouped into clusters by commodity to be produced.
- iv. State government to allocate 2-5 hectares of land per beneficiary
- v. State Government to provide access roads, water sources and other infrastructure that will enhance agricultural production on the land
- vi. States may charge a rental on land (Max. of N10,000 per ha) to defray the cost of land clearing and other infrastructure provided. Rental charged will be embedded in the Economics of Production (EoP) of the farmer.

#### **3.2 Financing:**

- i. The PFIs will act as agents of the CBN in disbursing the financing to the beneficiaries, which shall be in kind.
- ii. The PFIs shall purchase the inputs for on-selling to the beneficiaries, using CBN approved non-interest financing contract of Murabaha, Istisna', etc at an all-inclusive rate of return of 9% p.a. For the financing of labour, the PFI shall use Service Ijarah or any other appropriate CBN approved contract for NIFIs with the same all-inclusive rate of return of 9%.
- iii. Financing tenor is 6 months for grains and broiler production (rice, maize, soy bean etc); 18 months for cassava; 24 months for egg production and ruminants; 5 years for plantation crops etc
- iv. Average financing size of N250,000 per ha for arable crops; N500,000 per unit for livestock; and N1.5 million naira for plantation crops like cocoa, cashew and oil palm.

### **3.3 Marketing:**

- i. Anchors/Processors/Aggregators shall sign uptake agreement with PMT.
- ii. Produce off-take shall be on cash and carry basis.
- iii. Contiguous nature of farms should reduce the logistics associated with aggregation.

### **3.4 Eligibility:**

- i. Beneficiary must be a Nigerian youth with the ages of 18 to 35 years
- ii. Sign an undertaking to abide by the terms of agreement of the Scheme

## **4. Stakeholders:**

### **4.1 Central Bank of Nigeria (CBN) shall:**

- i. Provide the fund.
- ii. Act as Managing Agent.
- iii. Be represented on the Programme Management Team.
- iv. Issue and review modalities and operating guidelines from time to time.
- v. Provide regulatory and supervisory oversight.
- vi. In conjunction with other stakeholders, monitor, evaluate and conduct impact assessment of the programme.
- vii. Provide periodic reports on the programme.

### **4.2 Federal Government of Nigeria (FGN) shall:**

- i. Provide strategic direction for the implementation of the Scheme through the Presidential Task Force
- ii. Enhance inter-agency collaboration to provide resource optimization and synergy.
- iii. Align programme objectives to National economic growth and development.
- iv. Review programme objectives and activities from time to time.

### **4.3 State Governments/FCT shall:**

- i. Express interest to participate to the Presidential Task Force and choose 2 commodities or farming enterprise where the State enjoys comparative advantage.

- ii. Provide enabling environment for implementation of the scheme.
- iii. Inaugurate the Project Management Team.
- iv. Provide cleared and contiguous farm lands for beneficiaries under the Scheme.
- v. Provide accessible road and water sources.
- vi. Provide basic livestock production facilities (ONLY for States involved in livestock production).
- vii. Provide security for farm lands.
- viii. Enrol extension officers to coordinate production and disseminate information on best agronomic practices.
- ix. Training beneficiaries on best agronomic practices and other value chain support information.
- x. Allocate 1-3 hectares of farm land or 1-3 units of livestock to beneficiaries.
- xi. Provide logistics support for the effective operations of the PMT.
- xii. Approve sanctions for erring input suppliers, service providers, anchors/processors, beneficiaries, and other stakeholders under the Scheme.

**4.4 Project Monitoring Team shall:**

- i. Coordinate the implementation of the Scheme and ensure its success.
- ii. Sign agreements with input suppliers, service providers, and anchors/processors that are willing to participate under the Scheme. Such agreements should stipulate that payment will be made within 30 working days of delivery
- iii. Liaise with input suppliers, service providers, commodity associations, and anchors/processors to ensure fair pricing, timely delivery of inputs and effective marketing of produce
- iv. Hold town hall meetings with all input suppliers and farmers representatives to agree on the Economics of Production (EoP) per hectare or per unit of livestock before fund disbursement for each production cycle
- v. Verify payment to input suppliers or service providers based on actual inputs supplied or services provided

- vi. Advise the CBN for payment to inputs suppliers or services providers through a formal letter, stating names and BVN of beneficiaries, farming activity, farm location, type and quantity of inputs supplied or services provided, date supplied or provided, agreed unit price, total amount per beneficiary, total amount payable to vendor etc.
- vii. Ensure that the projects are insured with Nigeria Agricultural Insurance Corporation (NAIC)
- viii. Ensure prompt payment of premiums to NAIC and follow up on all cases of claims by beneficiaries
- ix. Provide routine reports on production statistics, inputs supplied, services delivered, average output per hectare/unit for each enterprise, total output for each enterprise in each production cycle etc
- x. Recommend sanctions for erring input suppliers, service providers, anchors/processors, beneficiaries, and other stakeholders under the Scheme

**4.5 Participating Financial Institution (PFI) shall:**

- i. Conduct due diligence in account opening and credit appraisal.
- ii. Access funds from the CBN on Wakala basis for on-financing to eligible entrepreneurs.
- iii. Ensure that payments are made directly to vendors in respect of equipment to be acquired with the purchased facility and the PFI takes lien on such assets.
- iv. Charge the entrepreneurs the exact rate of return as prescribed by the CBN.
- v. Monitor the beneficiaries to ensure full utilization of the facilities.
- vi. Register beneficiaries' BVN on the National Collateral Registry (NCR).
- vii. Monitor projects.

**4.6 Input Suppliers/Service Providers shall:**

- i. Ensure timely delivery of inputs/services
- ii. Provide technical support on usage wherever it is required
- iii. Replace deficient inputs supplied to beneficiaries within 5 working days of receiving such complaints by beneficiaries

- iv. Provide effective customer services to feedback and complaints management

**4.7 Anchors/Processors shall:**

- i. Sign off-take agreement with the PMT
- ii. Off-take produce at the prevailing market price or average of 3 prices within the State
- iii. Make payment for all produce collected within 5 working days of collection
- iv. Provide logistics for produce aggregation and evacuation
- v. Provide technical support for harvesting and handling of produce

**4.8 Beneficiaries shall:**

- i. Be responsible for the management of the farm
- ii. provide third party guarantor for repayment of financing facility.
- iii. Cross guarantee one another
- iv. Must agree to work with extension workers
- v. Commit to abide by the terms of agreement and not to side sell produce
- vi. Repay the financing facility as and when due by surrendering the output to the Anchor or State

**4.9 Nigeria Agricultural Insurance Corporation (NAIC)** shall: provide insurance cover for agricultural enterprises.

**5. Infractions and Sanctions - Participating Financial Institutions (PFIs)**

- i. Diversion of funds by the PFI shall attract a penalty at its maximum financing rate at the time of infraction. In addition, such PFI shall be barred from further participation under the scheme;
- ii. Non- rendition or false returns shall attract the penalty stipulated by BOFIA section 60;
- iii. Charging rate of return higher than prescribed shall attract the penalty stipulated by BOFIA section 60;

- iv. Any PFI that fails to disburse the fund within the stipulated days of receipt to the borrower, shall be charged penalty at the PFI's maximum financing rate for the period the fund was not disbursed;
- v. Failure to remit repayments received to CBN within the stipulated period shall attract penalty at the PFIs maximum financing rate.

The CBN reserves the right to impose the appropriate sanction in respect of any other breach of the guidelines not specified in this section.

**Central Bank of Nigeria**

**June 2020**

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