

**AGRICULTURAL CREDIT GUARANTEE
SCHEME FUND**

**GUIDELINES
FOR THE
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Establishment of the Fund

1. An Agricultural Credit Guarantee Scheme Fund has been established by the Federal Military Government under the Agricultural Credit Guarantee Scheme Fund Decree 1977 (Decree No. 20) and as amended on 13th June, 1988.
2. The decree originally provided for a Fund of ₦100 million subscribed to by the Federal Military Government (60 per cent) and the Central Bank of Nigeria (40 per cent). The share and called-up capital of the Fund has been increased to ₦3.0 billion

Purpose of the Fund

3. The purpose of the Fund is to provide guarantee in respect of loans granted by any bank for agricultural purposes as defined below (see para. 5) with the aim of increasing the level of bank credit to the agricultural sector. "Loan" under the decree includes advances, overdrafts and any credit facility and should be taken as such wherever it is used in these guidelines and other circulars.

Management of the Scheme

4. The Fund is under the management of the Agricultural Credit Guarantee Scheme Fund Board and the Central Bank of Nigeria is the Managing Agent for the administration of the Scheme. The work relating to the Scheme at the Head Office of the Central Bank is handled in the Development Department of the Bank headed by the Director. In order to avoid delay, much of the work relating to the operations of the Scheme will be done at the Central Bank Office in the state in which any transaction under the Scheme takes place.

Agricultural purposes for which loans can be guaranteed

5. The Agricultural purposes in respect of which loans can be guaranteed by the fund are those connected with:- establishment or management of plantation for the production of rubber, oil palm, cocoa, coffee, tea and similar crops;

- (a) The cultivation or production of cereal crops, tubers, fruits of all kinds, cotton, beans, groundnuts, sheanuts, benniseed, vegetables, pine-apples, bananas and plantains;
- (b) Animal husbandry, that is to say, poultry, piggery, cattle rearing and the like, fish farming and fish capture;
- (c) Processing in general where it is integrated with a least 50% of farm output e.g. cassava to gari, oil palm fruit to oil and kernel, groundnut to groundnut oil, etc.
- (d) Farm machinery and hire services.

Forms of security for loans

- 6. The security which may be offered to a bank for the purpose of any loan under the scheme may be one or more of the following:-
 - (a) a charge on land in which the borrower holds a legal interest or a right to farm, or a charge on assets on the land including fixed assets, crops or livestock;
 - (b) a charge on the movable property of the borrower;
 - (c) a life assurance policy, a promissory note or other negotiable security;
 - (d) stocks and shares;
 - (e) a personal guarantee;
 - (f) any other security acceptable to the bank. For loans of ₦20,000.00 (five thousand naira) and below, banks are not expected to demand tangible securities and feasibility reports.

Procedure for making an application for loan

- 7. All applications to banks for loans under the Scheme shall be made on the form prescribed for the purpose.
- 8. Applications should be completed in triplicate, one copy of which will be stamped by the bank concerned and forwarded immediately to the nearest office of the Central Bank in the State in which the bank is situated or as may be otherwise directed. Correspondence from the bank to the applicant on the application

should be copied to the office of the Central Bank to which a copy of the application was sent.

9. Applications received by banks should be processed promptly and it is hoped that the period elapsing between the submission of an application under the Scheme and its disposal will not exceed 60 days. It is appreciated that banks may call for information, which has not been sufficiently provided by the applicant. Officials of the Fund may call on banks, which have apparently not acted within a reasonable time on any application submitted to them.
10. All applications under the Scheme should be treated by banks with the same degree of diligence, good faith and competence with which they would normally be expected to treat all applications for loans received in the normal course of their banking business.

Banks' assistance to loan applicants

11. If a bank rejects any request for a loan under the Scheme, the bank should give reasons for the rejection to the person making the request. It should also specify the steps the person should take to enable him to comply with the bank's requirements. Copies of the bank's letters to the applicant should be sent to the office of the Central Bank to which the copy of the original application was sent.

Safeguard in respect of certain loans

12. Where a loan or any portion of it in respect of which a guarantee is to be sought under the Scheme is to be used to purchase livestock, machinery or farming equipment, the loan or that portion of it as the case may be must not be paid to the borrower. Instead, the bank must pay it to the supplier who will furnish the bank with a copy of the delivery note or other documents in evidence of the delivery of the livestock, machinery or farming equipment to the borrower.

Form and terms of loan agreement

13. In compliance with S.8 of the Agricultural Credit Guarantee Scheme Fund Decree, every agreement for a loan in respect of which a guarantee is to be given must be in writing and must show the amount of loan, the rate of interest and the duration of the loan. The duration of each loan, including moratorium period if any, should be strictly relevant to the gestation period of the project being financed.

14. Banks should remind prospective borrowers under the Scheme that it is an offence for which one may be imprisoned for five years to apply the loan for purposes other than those for which they are given.

Limits of liability of the Fund in respect of guarantees

15. The maximum liability of the Fund in respect of any guarantee given under the Scheme will be fixed from time to time by the Commissioner for Finance.
16. For the time being, the liability of the Fund will be 75 per cent of the amount in default net of any amount realized by the bank from the security it got from the borrower, subject, in the case of a loan to an individual, to a maximum of N5,000,000 and, in the case of a loan to a co-operative society or a corporate body, to a maximum of ₦10,000,000.
17. Where two or more banks jointly finance a project, the above limit of the Fund's liability will apply to the total loan granted by all the banks.
18. In such cases, the Fund will deal with only one of the banks that may be nominated for the purpose by all the banks concerned as if it has granted the whole loan alone.
19. Apart from the Head Office of the Central Bank of Nigeria, offices have been established in all branches and currency centres of the Central Bank to deal with Agricultural Credit Guarantee Scheme. The offices are manned by officers who function under the overall control of the Branches Controller or Currency Officer of the Central Bank in each branch or currency centre.
20. In order to ensure that matters connected with the Scheme are dealt with as expeditiously as possible, these officers will deal with such matters in the state in which they are located unless banks are otherwise directed.

Arrangements for Guarantee

Circumstances under which guarantee may be given

21. Any loan granted by a bank or jointly with another bank or other banks for agricultural purposes in accordance with the provisions of the Agricultural Credit Guarantee Scheme Fund Decree 1977 will be eligible for guarantee by the Fund. Guarantee of such loans will, for

the time being, be granted automatically except in such cases as in paragraph 25 below.

22. In case of doubt as to whether an application for a loan is in accordance with the Decree or not, the bank should seek clearance from the Fund.
23. Where a bank granted a loan to a farmer which was guaranteed by the Fund and it resulted in claims being paid by the Fund, such a bank should not grant that borrower any fresh loan under the Scheme without prior clearance from the Fund.

Application for guarantee

24. Application for guarantee under the Scheme should be made by banks to the Fund on Form ACGSF/1. Every application should be numbered and completed in triplicate. Two copies of the form should be forwarded to the Controller of the Central Bank branch or Currency Officer of the Central Bank currency centre in the State in which the bank applying for guarantee is located or as may otherwise be directed, not later than two weeks after the loan has been granted.

Issue of Guarantee Certificate

25. One of the conditions for a guarantee under the Scheme is that the Fund will have the right to inspect the books and accounts of the bank in respect of the guaranteed loan and that the bank will secure for the Fund by obtaining suitable undertaking from the borrower, the right to inspect the establishment in respect of which the loan has been granted and to call for or examine all details of the guaranteed account, if considered necessary by the Fund.
26. When the Fund receives an application for guarantee from a bank, it will issue a certificate in the prescribed form (Form ACGSF/2 to the bank. The Fund shall not be required to sign any other document in this respect.

Enhancement/reduction of guaranteed credit facility

27. If a bank grants an increase in a loan in respect of which a guarantee has already been given by the Fund, it must advise the Fund as soon as the increase is granted. If this increase is more than 25 per cent of the initial loan, the bank must obtain prior approval of the Fund. This should be done on Form ACGSF/3, which must be numbered, and sent to the appropriate office in duplicate. An

endorsement to this effect will be issued by the Fund on Form ACGSF/5. Where the total loan eventually drawn by a borrower is lower than the amount guaranteed by the Fund, the bank shall advise the Fund of the new amount which shall now be regarded as the guaranteed loan.

Extension of a guarantee

28. Where the term of a guaranteed credit facility is to be extended, the bank will after fully satisfying itself of the justification for such extension, advise the Fund of its intention accordingly on Form ACGSF/4 in duplicate. Such advice should be submitted at least one month before the expiry of the existing guarantee. An endorsement to this effect will be issued on Form ACGSF/5.

Variation in other terms and conditions of a guaranteed loan

29. Where a bank approves a change in any of the other terms and conditions governing a loan in respect of which a guarantee has been issued, it must advise the Fund as soon as such approval is given.

Repayment or discontinuation of a credit facility

30. Whenever a guaranteed advance is repaid or the credit facility is otherwise discontinued, the bank should advise the Fund immediately, giving particulars of the Guarantee Certificate.

Invoking the guarantee

31. Temporary default on the instalmental repayment of a guaranteed loan need not be reported to the Fund if the bank has no intention, merely on the basis of such a default, either to discontinue the facility or to call up the loan.
32. If, however, the bank does not succeed in its efforts to regularize the account and calls up the loan, it should serve the Fund with a "Notice of Default" by completing Form ACGSF/6 in duplicate copies and of the correspondence between the bank and the customer since the default was noticed should be attached in duplicate.
33. Where a default relates to a lump sum repayment or the last instalmental repayment of a loan, the bank should serve the Fund with "Notice of Default" as in paragraph 32 above.

34. After giving "Notice of Default" in the prescribed manner, the bank should make further efforts as it thinks fit to recover the amount in default from the borrower or his sureties, if any, and may, for that purpose, dispose of any security obtained in respect of the loan if possible.
35. If any balance remains outstanding after the above step has been taken, or where the recovery of any amount outstanding is impracticable, the bank may apply to the Fund for payment on "Guarantee Claim" Form ACGSF/7 in accordance with terms of the guarantee.
36. If within six months from the date of receipt of "Notice of Default" no "Guarantee Claim" form is received by the Fund, it will be presumed that the bank has recovered its loan and the Fund shall be deemed to have been discharged from its liability under the guarantee.
37. A claim under the guarantee should be submitted in duplicate by the Head Office of the bank to the Fund at the Head Office of the Central Bank on the prescribed form (Form ACGSF/7). In order to facilitate prompt settlement of claim, the bank should ensure that the application is complete in all respects and that the prerequisites as set out in the Scheme are duly complied with.
38. If the claim is in order, the amount payable under the guarantee will be remitted to the Head Office of the claiming bank by a crossed cheque or draft. A receipt for the amount so paid should be issued immediately by the claiming bank.
39. Upon a payment being made as provided for above, the Fund shall be deemed to have been discharged from all its liabilities under the guarantee.
40. The amount received from the Fund in settlement of a claim under the Scheme must not be credited to the account of the borrower who will remain liable to the bank for his total indebtedness. After invocation of the guarantee, the bank should continue to exercise the same diligence in recovering the amount in all the ways open to it as it might have exercised if no guarantee had been issued by the Fund.
41. The balance of a loan outstanding in respect of which a claim has been paid by the Fund must not be written off by the bank without the specific consent in writing of the Fund.

42. The Fund if considered necessary will publish names of defaulters in the newspapers.

Procedure regarding sharing of recoveries

43. All recoveries made by a bank on an account in respect of which it has invoked the guarantee shall be shared between the Fund and the bank in the ratio in which they shared the loss. A statement showing recoveries made so far on the account after invoking the guarantee should be submitted to the Fund while remitting the Fund's share of such recoveries. Such share should be remitted to the Fund not later than the end of the month in which it is received. Where this is not possible because it is received around the end of the month, it must be forwarded to the Fund in the following month.

Submission of returns

44. Banks will submit to the Fund progress reports as in Form ACGSF/8 showing particulars of the guarantee advances as at the end of December each year. The report should reach the office of the Central Bank in the State not later than 28 days from the end of the year.
45. The Fund may call for such other returns from time to time as it may require.

Agricultural Credit Guarantee Scheme Fund,
C/o Central Bank of Nigeria,
P.M.B. 12194,
Lagos.

FEBRUARY, 1990

This guideline is currently undergoing review.