

**MINUTES OF THE MEETING HELD AT THE OFFICE OF THE GOVERNOR OF CENTRAL BANK  
OF NIGERIA ON WEDNESDAY, 12<sup>th</sup> AUGUST, 2010**

S/N	NOTES/RESOLUTIONS	ACTION BY
1	<p><b>ATTENDANCE:</b></p> <ol style="list-style-type: none"> <li>1. Sanusi Lamido Sanusi, CON – Governor, Central Bank of Nigeria (CBN)</li> <li>2. Dr. Bukola Saraki, CON – Governor, Kwara State/Chairman, NGF</li> <li>3. Dr. Muazu Babangida Aliyu, OON – Governor, Niger State</li> <li>4. Saidu N. Usman – Governor, Kebbi</li> <li>5. Mr. Peter Obi – Governor, Anambra State</li> <li>6. Murtala H. Nyako – Governor, Adamawa State</li> <li>7. Chibuike R. Amaechi – Governor, Rivers State</li> <li>8. A.B. Okauru – Director General, NGF</li> <li>9. Aigboje Aig-Imoukhuede – MD, Access bank</li> <li>10. Philips Oduoza – MD, UBA PLC</li> <li>11. Funke Osibodu – MD, Union Bank</li> <li>12. Bisi Onasanya – MD, First Bank</li> <li>13. Evelyn Oputu – MD, Bank of Industry</li> <li>14. Reginald Ihejiahi – MD, Fidelity Bank</li> <li>15. Waziri H. Ahmadu – NACRDB Ltd.</li> <li>16. Falalu Bello – Unity Bank</li> <li>17. Shamsuddeen Usman – Minister of National Planning</li> <li>18. S.A. Abubakar – Minister of Agriculture</li> <li>19. Professor Sylvester Monye – Secretary, NPC</li> <li>20. Mabel Ndagi – Bank of Industry</li> <li>21. Dr. Tochukwu Nwachukwu – Access Bank</li> <li>22. Dr. (Mrs) Alade – CBN</li> <li>23. Suleiman Barau – CBN</li> <li>24. Sadiq Usman – CBN</li> <li>25. Paul C. Eluhaiwe – CBN</li> </ol> <p><b>PRESENTATION BY GOVERNOR, CBN</b></p> <p>The Governor of the Central Bank of Nigeria made a presentation to the meeting on the <b>“Position of the N200 billion Commercial Agriculture Scheme (CACS).”</b></p> <p>In tracing the development of the CACS, he stated that the CACS took off in the aftermath of a meeting between the Governor of CBN, State Governors, the Federal Minister of Agriculture and Water Resources and CEOs of banks in December 2009. The meeting agreed among others that:</p> <ul style="list-style-type: none"> <li>• The FCT and State Governments were to access N1.0b each upon the issuance of irrevocable standing payment orders (ISPOs) to banks of their choice.</li> </ul>	

- The loan applications go direct to banks.
- Banks were to determine the projects for financing because they were to take the credit risk on all their exposures.

The meeting learnt that as at August 10, 2010, ten (10) banks had accessed the Fund and the CBN had released ₦70.737b to the banks for disbursement to 68 projects. The following States had accessed the ₦1b:

- |                  |   |             |
|------------------|---|-------------|
| • Financing Bank | States Financed                           | Amount (₦b) |
| UBA Plc          | Bauchi, Kogi, Ondo,<br>Nasarawa & Zamfara | ₦5b         |
| • Union Bank     | Niger                                     | ₦1b         |
| • Zenith Bank    | Adamawa                                   | ₦1b         |

The CBN Governor also informed the meeting that banks refunded about ₦5.55b of the funds after release by CBN because of the inability of the promoters to meet the conditions precedent to disbursement, especially inability of States to provide ISPOS.

Whilst maintaining that funding was not a problem, he identified some of the challenges with accessing the CACS as follows:

1. Inability of banks to assess the level of risk in lending to agriculture;
2. Information asymmetry;
3. Capacity of banks and farmers;
4. Policy Inconsistency

In proposing the way forward, he stated that Nigeria required a paradigm shift and that Agriculture was a business and should be treated as such. The financing of agriculture required fixing the financial value chain to unlock commercial financing. Fixing the financial value chain would require inter alia the building of the capacity of banks and other stakeholders as well as the provision of agriculture provision.

One of the ways that the CBN planned to address the issue of agricultural financing was by the development of a mechanism known as the **Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL)**. NIRSAL, a mechanism developed by the CBN to facilitate access to financing for small-holder farmers, agro-processors and import suppliers in the agricultural value chain would be operated in collaboration with the Alliance for a Green Revolution in Africa (AGRA), United Nations

Industrial Development Organisation (UNIDO) and other agricultural operators in Nigeria.

NIRSAL is Nigeria's home-grown instrument for achieving transformation in the agricultural sector and is designed to de-risk the financial value chains and align them better for driving agriculture as a business.

The Chairman, NGF in his remarks thanked the CBN Governor for hosting the meeting and his insightful presentation which had shed light on the knotty issues of agricultural financing. He expressed delight at learning that funding was not a challenge and that the real challenge was that of under-utilisation of the existing funds. He emphasised the need to explore policies that would reduce risks and all other bottle-necks. The NGF was in agreement with the necessity for the provision of ISPOs as condition-precedent for lending. The Chairman expressed hope that at the end of the day's meeting, a roadmap would be developed along the lines of the existing guidelines. Recalling the information earlier provided that only 7 States out of the 18 States were successful in their applications, the Chairman sought to know the reason for the dismal performance.

The Managing Directors of the Banks that were present took turns to address the meeting:

**Fidelity Bank:** Accepted offer letters from 4 States [Sokoto, Enugu & Cross River States] including the FCT and the major obstacle militating against access was the non-provision of ISPO by the States. It was reported that the Sokoto format was rejected because it was unacceptable to the CBN. The rejection was because of inconsistencies in the application from Sokoto State – whilst the application was from Sokoto State, the information was from Enugu State.

The second rejection was based on inadequate number of signatures.

The point was made that once the ISPO provided by a State was unacceptable to the legal department of the bank in question, there was no basis for the CBN to reject it on any grounds. Similarly, the point was emphasised that the CBN was not an advanced credit risk department of any commercial bank. CBN's only responsibility was to ensure that the money disbursed was wholly utilised for agricultural development that it was meant for.

**1<sup>st</sup> Bank:** Documents were received from 5 States – Benue, Osun, Taraba, Lagos and Abia- but these States were yet to provide ISPOs. The funds would be disbursed as soon as the ISPOs were received.

**Union Bank:** There were initial problems with understanding the requirements and there was a need to put in place machinery that would include the CBN and the Accountant General of the Federation (AGF) to ensure that documents were in order before disbursement.

Union Bank had received applications from Kwara, Ekiti, Bauchi and Yobe States but as with most other States, they were yet to receive ISPOs. [It was however noted that Bauchi State eventually applied to UBA Plc and had received the funds from the bank].

On the issue of tenor, clarifications were made as follows:

- For ISPO-requisite loans, the tenor was 2 years;
- For non-ISPO loans, the tenor was 7 years.

There were concerns over State governors taking loans whose tenors were in excess of their constitutionally allowed term of office. It was resolved that the solution to this situation was for States to provide resolutions of their Houses of Assembly backing any loan whose tenor is in excess of two (2) years or in excess of the governor's constitutional tenure.

**UBA Plc:** From the beginning, UBA saw this as business they wanted to be involved in. UBA has a dedicated desk manned by a high level staff, a director. The unit responsible for this has two segments – Commercial farmers and Small scale farmers. There was substantial monitoring to ensure compliance. He identified one of the constraints facing banks as mostly that of bank-shopping. The case of Bauchi State that originally applied to Union Bank and then went over to UBA Plc was instructive. One of the factors responsible for bank-shopping was high interest rate.

Regarding Commercial farming and attendant lending, the Chairman, NGF identified marketing as a bigger challenge than production. He illustrated with the Shonga Farm experience in Kwara State where dairy production was deliberately reduced from 6000 litres to 1,500 litres because of marketing constraints. This situation, he explained was a practical demonstration of the need for alignment of all decisions in this area with government policies, otherwise all the money available for this scheme may well come to nought.

The meeting was informed that the Ministry of Agriculture had funds for clearing at zero interest. Also, the CBN had constituted a Committee comprising the Bankers Committee to look into the essence and importance of the value chain.

The Committee would hold a 1-day Retreat at the CBN Office on 16<sup>th</sup> September, 2010. The Governor of Niger State was co-opted into the Committee.

Also, a case was made for the identification and selection of a number of projects (2 or 3) and pushing them through to a reasonable conclusion.

Finally, the following was agreed as "take-away" for the day's meeting:

1. Importance of ISPOs re-affirmed.
2. Process of monitoring progress to be put in place.
3. Need for the integration of financial value chain into the commodity chain.

The meeting ended at 6.20pm.

**Chuku, Chijioke, Esq.**