



## OPERATING RULES FOR ADMINISTERING THE BANK OF SIERRA LEONE'S AGRICULTURE CREDIT FACILITY (ACF)

Pursuant to Section 10 (1) of the Bank of Sierra Leone Act 2019, the Board of Directors of the Bank of Sierra Leone (hereinafter referred to as "BSL") approved the creation of an Agricultural Credit Facility (hereinafter referred to as "the Facility" or "the ACF") of NLe 230 million to support the production of agricultural commodities across three prioritized value chains, the BSL hereby issues the following rules and procedures for administering the said Facility:

### 1.0 CREATION OF THE BSL AGRICULTURAL CREDIT FACILITY

- 1.1 The ACF in the amount of NLe 230 million is hereby created as part of a set of measures designed to increase domestic food production, improve the processing of agricultural products, reduce post-harvest losses through improved storage infrastructure and marketing of key agricultural commodities, thereby, reducing food imports and tempering food-price inflation and conserving BSL's scarce international reserves, and facilitate the access to finance to women and youth.
- 1.2 The Facility shall provide low-interest loans to the private sector willing to participate in the three prioritized value chains (rice, onion, and poultry).
- 1.3 The loans will cover production, farm inputs, aggregation, processing, packaging and branding.
- 1.4 The BSL shall administer the ACF in cooperation with Participating Commercial Banks (PCBs), subject to the BSL's regulatory and prudential guidelines.

### 2.0 ELIGIBLE AGRICULTURAL COMMODITIES AND VALUE CHAINS

Commodities financed under the Facility shall be agricultural value chain activities detailed in the list provided by the Ministry of Agriculture in Annex 1, which will be updated as needed under the ACF.

The agricultural value chain activities funded by the facility are outlined in detail in Annex 1 and described below:

- i) Production
- ii) Farm inputs
- iii) Aggregation
- iv) Processing, packaging and branding



### **3.0 ELIGIBILITY CRITERIA FOR PARTICIPATION**

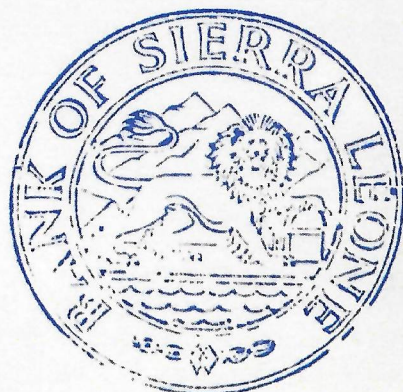
- 3.1 Loan applicants who have defaulted on loans in the last five (5) years or have existing non-performing loans for reasons that could not be justified otherwise shall not be eligible to participate in the Facility.
- 3.2 Politically Exposed Persons or entities shall not participate in the Facility.
- 3.3 Potential borrowers are required to have a minimum experience of 3 years in the same agricultural value chain activities that they are applying for.
- 3.4 Women and youth will have priority access, particularly for women led MSMEs.

### **4.0 RESPONSIBILITIES OF PARTICIPATING FINANCIAL INSTITUTIONS**

- 4.1 All applications for funding under the Facility shall be reviewed and approved by the Credit Committee of the PCB, using its standard loan underwriting criteria.
- 4.2 PCBs shall ensure that loans granted under the Facility are backed by adequate moveable or immovable collateral, which shall be registered at the Collateral Registry at the BSL.
- 4.3 Following approval by its Credit Committee, PCB shall submit to the Banking Supervision Department of the BSL: (1) the loan application; (2) all supporting documents used in its evaluation; and (3) a cover letter that conveys the PCB's recommendation of the loan to the BSL.
- 4.4 All relevant information on the credit history of approved applicants for loans under the Facility shall be submitted by the PCBs to the Credit Reference Bureau at the BSL for credit information purposes.

### **5.0 PROHIBITED ACTIVITIES**

- 5.1 Funds accessed under the Facility shall not be used for any purpose other than what is stated in the loan application.
- 5.2 Without prejudice to Article 5.1, funds disbursed under the Facility shall not be used to:
  - a) Purchase land.
  - b) Pay or refinance any existing loans or loans contracted under any other facility, even if related to agriculture.
  - c) Purchase any financial asset, including money market instruments, especially government securities.
  - d) Construction of a new facility is not permitted unless it is an agricultural infrastructure, as detailed in Annex 2.



## **6.0 PENALTIES FOR ENGAGING IN PROHIBITED ACTIVITIES**

6.1 The PCB's penal interest rate that existed at the time the loan was approved shall constitute the lending rate for borrowers under the Facility who engage in any of the prohibited activities listed in Article 5.0.

## **7.0 CREDIT RISK**

7.1 Credit risk under the Facility shall be 100% borne by the Participating Commercial Banks

## **8.0 FINANCING TERMS/ INTEREST INCOME**

8.1 An all-inclusive interest rate of 10 percent per annum shall be charged for all funds disbursed under the Facility.

8.2 Interest charges shall be computed as simple interest on the total amount approved, pursuant to Article 8.1.

8.3 Following its approval by the Credit Committee of the PCB, the total value of the loan (principal plus interest) and payment schedule shall be communicated to the borrowing entity in writing before its submission to the Bank of Sierra Leone.

## **9.0 LOAN SERVICE**

9.1 PCBs shall collect payments (principal and interest) from their customers according to Annex 3.

9.2 Every three months the BSL shall debit the principal and interest due directly from the participating PCB's BSL account after the grace period depending on the value chain calendar.

9.3 All principal and interest must be repaid in full within twenty-four (24) months from disbursement, including the moratorium period.

## **10.0 PENALTIES FOR DEFAULT ON ACF LOANS**

10.1 In the event of a loan-servicing default, the PCB's penal rate that existed at the time the loan was approved shall apply to all loans granted under the Facility.

10.2 Borrowers who default on loans granted under the Facility shall be blacklisted from accessing credit within the financial sector for a period of five (5) years.

10.3 On a case-by-case basis, the BSL may review the default penalties stipulated in these operating rules if it deems the default to have been caused by adverse circumstances beyond the control of the borrowing entity.



## **11.0 PENALTIES FOR PROHIBITED ACTIVITIES**

- 11.1 Funds accessed under this Facility shall not be used for any purpose other than what is stated in the loan application.
- 11.2.1 More specifically, funds disbursed under the Facility shall not be used to:
- a) Repay any existing loans or loans contracted under any other facility.
  - b) Invest in any asset, including but not limited to money market instruments, especially government securities.
  - c) Finance any dangerous or harmful activities, in accordance with the Anti-Money Laundering/Combating of Financing of Terrorism Act, 2012 as amended
- 11.3 The PCB's penal rate that existed at the time the loan was approved, plus a five (5) percent penalty shall constitute the lending rate for borrowers under the Facility who engage in any of the prohibited activities listed above.
- 11.4 On a case-by-case basis, the BSL may review the default penalties stipulated in these operating rules if it deems the default to have been caused by adverse circumstances beyond the control of the borrowing entity.

## **12.0 SANCTIONS FOR LOAN WRITE-OFF**

- 12.1 All banks are required to comply with the Loan Write-Off directives, failing which the appropriate sanctions shall be applied.
- 12.2 Names of customers and directors of beneficiary companies whose facilities have been written-off shall be furnished to the Credit Reference Bureau by PCBs and shall not be eligible to benefit from further credit in the banking system in the next five (5) years after the write-off, until the facilities are fully paid off.

## **13.0 DISBURSEMENT OF FUNDS UNDER THE AGRICULTURAL CREDIT FACILITY**

- 13.1 Funds under the Facility shall be disbursed in Leones into a designated BSL account created for each PCB.
- 13.2 Within five (5) business days, all funds made available under the Facility shall be paid by PCBs directly to the supplier of the goods or inputs being procured (not to the borrower).
- 13.3 In the case of imported inputs:
- a) PCBs shall pay all foreign exchange resources provided in connection with the Facility directly to the foreign supplier, not the borrower.
  - b) PCBs shall pay all port levies, clearing charges, and taxes directly to the recipient agencies when the inputs arrive in Sierra Leone.



- 13.4 In the case of non-imported inputs, funds under this Facility shall be disbursed to the supplier of the input, not to the borrowing entity in phases based on agreed performance indicators.
- 13.5 One per cent (1%) penalty shall be imposed on PCBs that delay the payment of disbursed funds to suppliers beyond the “five business days” deadline stipulated in Paragraph 13.2.
- 13.6 The maximum loan amount awarded to a borrowing entity shall not exceed 10% of the total value of the Facility.

**14.0 REGULATORY REPRIEVE TO PARTICIPATING FINANCIAL INSTITUTIONS**

- 14.1 To enhance the ability of PCBs to achieve the objectives for which the Facility is created, the BSL may grant the following regulatory reliefs on a case-by-case basis:
- a) Waiver of the Single Obligor Requirement for clients as well as the Aggregate Exposure Limit of 300 per cent.
  - b) Suspension of the One Percent Provisioning Requirement.
  - c) Permission to reclassify Non-Performing Loans due to adverse shocks outside the borrowing entity's control, as determined by the BSL.

**15.0 REPORTING REQUIREMENTS**

- 15.1 PCBs shall submit the following to the Bank of Sierra Leone monthly:
- a) Returns of schedules of all loans granted to customers under this Facility during the month.
  - b) Terms of such loans.
  - c) Amounts disbursed and disbursements outstanding.
  - d) Principal and interest amortization on each loan.
  - e) Reconciliation statements of the Facility.
  - f) Such other documents as may be required by the BSL.

**16.0 REVIEW AND AMENDMENT**

- 16.1 At the discretion of the BSL, these rules may be reviewed and/or amended.

**17.0 EFFECTIVE DATE AND DURATION**

- 17.1 This Facility shall become effective on 22 March 2024 and shall remain in force for 24 months, but may, with the approval of the Board of Directors, be extended for another period of 24 months.
- 17.2 Article 17.1 notwithstanding, the BSL shall terminate the Facility if a viable private agricultural lending facility is established in the country.



## ANNEX

### Annex 1: Eligible agricultural commodities and activities

#### i) Production:

- Food crops: Rice, maize.
- Poultry: Broilers and Layers.
- Vegetables: Onions

ii) **Aggregation:** for rice millers and large-scale aggregators.



























iii) **Farm inputs supply:** fertilisers, seeds and other agrochemicals, and mini-irrigation facilities.

iv) **Processing, branding and packaging:** acquisition of agricultural machinery & equipment, post-harvest handling equipment, curing shed, and poultry processing plant.

### Annex 2: Agriculture Infrastructure

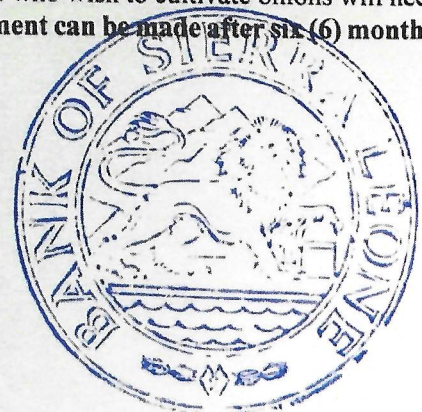
- i. Mini-irrigation facilities
- ii. Poultry processing plant
- iii. Warehousing (it can be rented)
- iv. Curing shed

### Annex 3: The crop calendar

Rice												
Onion												
Poultry												

	Land preparation and planting (Sowing)
	Growing
	Harvesting and processing

- i. **Rice:** Land preparation generally starts in February, and crops are planted at the site of the first rain depending on the ecology. **Payments can only commence after harvesting, nine (9) months into the rice production cycle,** to give ample time for processing and selling.
- ii. **Onions:** Produced all year round if irrigated farming is practised. The conventional production cycle for onions is five months, from land preparation to harvesting. Farmers who wish to cultivate onions will need to access finance in October for land preparation and nursing. **Payment can be made after six (6) months.**



- iii. **Poultry:** Year-round egg production after 18 weeks (about 4 months). Access to the loan can be flexible. **The first payment can be made seven (7) months into production.**

