



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

**WHEREAS** the Board of Directors of the Bank of Sierra Leone (hereafter referred to as “BSL”) approved the creation of the Agricultural Credit Facility (interchangeably referred to hereafter as “the Facility” or “the ACF”) of 100 billion Leones to support the production of agricultural commodities, with special emphasis on rice and vegetable production, 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 100 billion Leones) is hereby created as part of a set of measures designed to increase domestic food production and, thereby, reduce food imports, thus tempering food-price inflation and conserving BSL’s scarce international reserves.
- 1.2 The Facility shall provide low-interest loans to procurers of agricultural inputs (seeds and agrochemicals) used in the production of rice and vegetables.
- 1.3 Borrowers under the Facility shall be participants in good standing in the Government’s e-Subsidy Voucher Program for Farmers.
- 1.4 The ACF shall be administered by the BSL in cooperation with participating financial institutions (PFIs), which shall include all financial institutions that are subject to the BSL’s regulatory and prudential guidelines.

### **2.0 ELIGIBLE AGRICULTURAL INPUTS**

- 2.1 Inputs that are financed under this Facility shall be appropriate for Sierra Leone’s agricultural ecology, as determined by the Ministry of Agriculture and Forestry and published on its List of Eligible Inputs for Rice and Vegetable Production Under the ACF, which shall be updated as needed.

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

- 3.1 Inputs used in the production of rice and vegetables shall benefit from the Facility.
- 3.2 Loan applicants who have defaulted on loans in the last five (5) years or have existing non-performing loans shall not be eligible to participate in this Facility.
- 3.3 Politically Exposed Persons or entities shall not participate in this Facility.

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

- 4.1 Upon receipt by PFIs, all applications for loans under this Facility shall be forwarded to the Ministry of Agriculture and Forestry to determine whether the inputs that shall be procured are appropriate for Sierra Leone’s ecology.

- 4.2 All applications for funding under this Facility shall be reviewed and approved by the Credit Committee of the PFI, using its standard loan underwriting criteria.
- 4.3 PFIs shall ensure that loans granted under this Facility are backed by adequate moveable or immovable collateral, which shall be registered at the Collateral Registry at the BSL.
- 4.4 Following approval by its Credit Committee, PFI 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 PFI's recommendation of the loan to the BSL.
- 4.5 All relevant information on the credit history of approved applicants for loans under this Facility shall be submitted by the PFIs to the Credit Reference Bureau at the BSL for credit information purposes.

## **5.0 PROHIBITED ACTIVITIES**

- 5.1 Funds accessed under this Facility shall not be used for any purpose other than what is stated in the loan application.
- 5.2 Without prejudice to Paragraph 5.1, funds disbursed under this 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 but not limited to money market instruments, especially government securities.

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

- 6.1 The penal interest rate that existed at the time the loan was approved shall constitute the lending rate for borrowers under this Facility who engage in any of the prohibited activities listed in Paragraph 5.

## **7.0 APPORTIONMENT OF CREDIT RISK**

- 7.1 Credit risk under this facility shall be apportioned as follows:
  - a. PFIs: 30 percent.
  - b. Ministry of Finance: 70 percent.

## **8.0 FINANCING TERMS**

- 8.1 An all-inclusive interest rate of 5 percent per annum shall be charged for all funds disbursed under this Facility.
- 8.2 The interest accrual shall start on the thirty-first (31<sup>st</sup>) day following the disbursement of the loan.

- 8.3 Interest charges shall be computed as simple interest on the full amount approved, pursuant to Paragraph 8.2.
- 8.4 Following its approval by the Credit Committee of the PFI, the total value of the loan (principal plus interest) and payment schedule shall be communicated to the borrowing entity in writing prior to its submission to the Bank of Sierra Leone.

## **9.0 LOAN SERVICE**

- 9.1 PFIs shall collect all payments (principal and interest) from their customers in four (4) quarterly installments, starting on the ninety-first (91<sup>st</sup>) day after the loan's disbursement.
- 9.2 On a quarterly basis, the BSL shall debit the principal and interest due directly from the participating PFI's BSL account.
- 9.3 All principal and interest shall be fully repaid in fifteen (15) months following the date of disbursement.

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

- 10.1 In the event of a loan-servicing default, the penal market rate that obtained when the loan was approved shall apply to all loans granted under this Facility.
- 10.2 Borrowers who default on loans granted under this 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 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 APPORTIONMENT OF INTEREST INCOME**

- 11.1 All interest income under this Facility shall accrue to the PFIs.

## **12.0 DISBURSEMENT OF THE AGRICULTURAL CREDIT FACILITY FUNDS**

- 12.1 Funds under this Facility shall be disbursed into a designated BSL account created for each PFI.
- 12.2 Within two (2) business days, all funds made available under this Facility shall be paid by PFIs directly to the supplier of the good or input being procured (not to the borrower).
- 12.3 In the case of imported inputs:
- a) The BSL shall endeavor to sell the requisite foreign exchange to PFIs at the spot BSL selling rate to cover the CIF of the inputs and associated foreign-currency charges.

- b) PFIs shall pay all foreign exchange resources provided in connection with the Facility directly to the foreign supplier, not the borrower.
  - c) PFIs shall pay all port levies, clearing charges, and taxes directly to the recipient agencies when the inputs arrive in Sierra Leone.
- 12.4 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.
- 12.5 No funds under this Facility shall be paid to the borrowing entities.
- 12.6 A one percent (1%) penalty shall be imposed on PFIs which delay the payment of disbursed funds to suppliers beyond the “two business days” deadline stipulated in Paragraph 9.2.
- 12.7 The maximum loan amount awarded to a borrowing entity shall not exceed 10% of the total value of the Facility.

### **13.0 REGULATORY REPRIEVE TO PARTICIPATING FINANCIAL INSTITUTIONS**

- 13.1 To enhance the ability of PFIs 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 percent.
  - b) Suspension of the One Percent Provisioning Requirement.
  - c) Permission to reclassify Non-Performing Loans that are due to adverse shocks outside the control of the borrowing entity, as determined by the BSL in accordance with Paragraph 10.7.

### **14.0 REPORTING REQUIREMENTS**

- 14.1 PFIs shall submit the following to the Bank of Sierra Leone on a monthly basis:
- 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.

**15.0 REVIEW AND AMENDMENT**

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

**16.0 EFFECTIVE DATE AND DURATION**

16.1 This Facility shall become effective at 12:01 am, March 11, 2021 and shall remain in force for eighteen (18) months, but may, with the approval of the Board of Directors, be extended for another period not exceeding eighteen (18) months.

16.2 Paragraph 16.1 notwithstanding, the BSL shall terminate the Facility if a viable private agricultural lending facility is established in the country.