

AGRICULTURAL DEVELOPMENT FUND (ADF) SCHEME

Information extracted from ADF Agreement dated 25th February 2021

The Agricultural Development Fund (ADF) was introduced to finance the development of small and medium sized agricultural and horticultural development in Seychelles, particularly in terms of food security. Only registered farmers, agricultural input producers, agricultural service providers (e.g. abattoirs and hatchery services) and Agricultural Processors (e.g. butchers, fruits and vegetable processors for jams etc.) who are engaged in full time agricultural activities are eligible for a loan under the ADF Scheme.

1. Eligible Projects

Agricultural projects including livestock and agricultural input productions whose promoters are registered with the Seychelles Agricultural Agency (SAA) or relevant Government body.

Eligible projects to be financed under this scheme include (but are not limited to):

- Construction of farm buildings (e.g. shade house / greenhouse, chicken pen, pigsty and other livestock sheds, animal feed factory, abattoir/slaughter house, cold stores, beekeeping infrastructure and any other agricultural infrastructure approved by the Loans Appraisal Unit at SAA)
- Demountable (pre-fab) farms house/staff quarters.
- Upgrading of existing farm buildings, equipment and machineries and other farm assets
- Replacement and/or purchase of new machineries, equipment & tools and other farm assets.
- Setting up of irrigation and other agricultural technology systems.
- Site preparation and development.
- Working capital (see section 8)
- Raw materials and other agricultural inputs.

Where a loan application also involves the building or refurbishment of a pre-fab (demountable) farm house, the funds allocated for this specific expense shall be one quarter (1/4) of the loan amount or SR 350,000.00 whichever is the lowest.

No building of bricks (fix structure) houses will be considered as part of loan applications for agricultural processing and agricultural service providers or input producers.

1.1. Exclusions:-

Loans under the ADF Scheme shall not be given for the purpose of:

Purchasing or repairing vehicles, acquisition of land, building structure of dwelling houses and staff quarters where these are projects on their own and refinancing of existing debt(s).

1.2. Exceptions:-

Exceptions shall be considered in circumstances where the refinancing is within the ADF Scheme or where special funds have been made available for specific purpose(s), whereby the name of the beneficiary, loan amount and loan purpose are clearly stated. However, such exceptions shall not apply to purchasing or repair of vehicles, acquisition of land and building of dwelling houses or staff quarters.

2. Promoter's Eligibility

Registered farmer(s) only who is/are a citizen of Seychelles.

3. Loan Amount and Interest Rate applicable

The minimum loan amount is SR25,000/- and the maximum SR 5 million per project

At any one time, the total exposure of a single borrower under the Scheme must not exceed the maximum loan amount of SR 5 million.

Loans are categorized as follows:-

Category 1 – Loans from SR 25,000.00 to SR 350,000.00 @ 2.5% interest

Category No.2 - From SR 350,001.00 to SR 3,000,000.00 @ 2.5% interest

Category No.3 - From SR 3,000,001.00 to SR 5,000,000.00 @ 5% interest

Both interest during disbursement (which is charged following the first disbursement of the loan) and interest during grace period/moratorium are capitalized.

4. Personal Contribution (PC)

Promoters will not be required to inject any PC. However, as PC normally indicates the promoter's commitment and seriousness towards the project, the Bank will assess and give merits to any equity contribution that is made.

Request for some PC from the promoter may be introduced/required upon written request by the Government to the Bank.

5. Lending Terms

5.1. Repayment Period

The repayment period for credit facilities under the ADF Scheme shall from a term of five years to a maximum term of twelve years (excluding grace period). The tenure shall be determined depending on the loan amount, nature of the agricultural activity including any seasonality aspect of production, life expectancy of assets being financed and related financial projections.

5.2. Grace Period

Grace period would be granted based on the type of project, the maturity period of the crop and/or livestock and the projected cash flow. The maximum grace period granted to any project shall be up to 18 months at the discretion of the Bank. Interest during grace period is capitalized.

6. Securities

Assets financed by the ADF are always taken as the principal security of the loan. In general, securities taken comprise of any one in the "Asset and Collateral Registry", and could include one or a combination of the following:

- Charge on lease hold agricultural property for loan up to SR 350,000/-
- Mortgage on freehold property for loan above SR 350,000/-.

Other securities/collaterals includes (for loans above SR 350,000/- to SR 5,000,000/-):

- Floating Charge (on company's assets)
- Pledge (on vehicle, equipment and vessel)
- Bank guarantee
- Qualified Guarantors
- Lien on Treasury Bonds, fixed deposit, share certificates, mortgage protection insurance, agricultural insurance etc.

The security cover should not be less than 1 time the loan amount.

6.1 Other Conditions

In addition to the above securities, the following conditions also apply:

- The client is requested to open a Bank Account with a Commercial Bank prior to disbursement of the loan;
- In the event of default, the Bank reserves the right to collect payment direct from the clients revenue (contract's farming);
- Registration of movable assets should be done prior to disbursement of the loan;
- Assignment of insurance policy;
- Loan repayment to be done by Standing Order or salary deduction.

7. Working Capital and Raw Materials

7.1. Working capital

This can be considered as a component of the project cost or on its own. Where working capital forms part of a project cost, the amount shall not exceed 40% of the project cost. Working capital on its own shall be for a sum of not more than SR 100,000 and it shall not be granted to the same person or company more than once within a period of one year.

Working Capital loans shall be repayable over not more than 24 months.

Despite the allowance to apply for a new working capital loan after a period of one year, an applicant will not qualify for a new loan if:

- The sum of working capital (existing plus new loans) exceeds SR 50,000.00 and or
- There are arrears on any existing ADF loan.

Working capital shall be used to cover such expenditures as salaries for farm workers, administrative works, transportation costs (if these are separate from other costs), etc.

Site preparation shall be considered as part of agricultural development and may not be considered as component on its own.

7.2. Raw materials

This shall be considered either as a component on its own or part of other project cost. It can be up to any amount as long as the total cost is within the ADF loan limits. Raw materials comprise of animal feed, agricultural inputs (seeds, fertilizers, medication & vitamins, etc) and other direct materials *I* inputs.

8. Processing fees

ADF charges a non-refundable application processing fee of SR 250.00 or 0.1% of the loan amount whichever is the highest. The fee is payable prior to the loan being processed.

9. Legal fees

All clients are required to make their own contributions towards payment for registration and preparation of legal documents such as mortgages, floating charges, pledges, etc. The fees may be incorporated as part the loan.

10. Insurances

It is a policy of the Bank that upon issuing a loan to a client any insurance taken on the property/asset is assigned to the Bank. The type of insurance assigned to the Bank shall depend on the type of asset(s) involved.

11.Documents

Documents required to process an ADF loan vary depending on the type of project and should include but not limited to the following:

- Passport size photograph
- ID card or other proof of identity
- Proof of address
- Business Plan and Project description
- Bank Statements
- For Companies; Certificate of incorporation, Memorandum and Article of Association, Particular of Directors, Registered Office of the Company and or any legal documents related to the company.
- Cash flow with profitability estimates
- Invoices and quotations for items to be financed and for insurance cover
- Farmer's Registration Card
- Approval from relevant authorities (e.g. Planning Authority, Seychelles Agricultural Agency (SAA), etc.

12.Application Procedure

Applicant(s) must fill in an application form and other forms (which will be done with the assistance of the Loans Appraisal Unit at SAA). The said Unit will hand the loans appraisal kit to the Applicant.

SAA will collect all the required documents including a detailed business plan.

Once the project cost has been confirmed or a reasonable estimation has been determined by the Loans Appraisal Unit at SAA, the latter will send the recommendation to the Bank for further processing.

Upon receipt of the SAA's recommendation, the Bank will follow its normal loan procedures before approving any of the application submitted

Each new loan granted under the Fund shall be made under an agreement to be concluded between the Bank and the owner of the project who submitted an application.

13.Loan Disbursement

Once the loan has been approved, disbursement of the loans approved to be granted from the Fund shall be made by the Bank on the recommendation of the Loans Committee at SAA as established under section 5(2) of the Agricultural Development Fund Order.

Disbursement (including for working capital) can be made directly to the borrower but this shall be based on the nature of the expenditure or circumstances on hand (e.g. for working capital, where it involves a number of small value items, or where no invoice can be obtained). Such disbursements shall be done in consultation with SAA. Receipts must subsequently be submitted to the Bank.

The Bank reserves the right to stop disbursement of a loan if it is found that the project is not being implemented as planned or funds have not been used for the intended purpose.

14.Collection & Recovery

The Bank shall be responsible for the collection of payments and recovery of loans from the borrowers. For both processes including legal proceedings in respect of default cases, the Bank shall be guided by its own internal policies and procedures.

15.Default and Penalties

In cases of default, a penalty fee of 5% on the amount in arrears will be applicable in addition to the normal interest rate being charged. In the event of any default payment exceeding three consecutive months the borrower will not qualify for any further financing under the ADF Scheme or any other Government Schemes until the borrower settles all dues and for a period of 2 years thereafter.