

N200 BILLION SMALL AND MEDIUM ENTERPRISES (SME) CREDIT GUARANTEE SCHEME (SMECGS)



CENTRAL BANK OF NIGERIA

GUIDELINES

1.0 Establishment of the Scheme

As part of its developmental role, the Central Bank of Nigeria (CBN) has established the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS), for promoting access to credit by SMEs in Nigeria.

2.0 Funding

The Scheme shall have a fund of N200 billion to be wholly financed by the Central Bank of Nigeria (CBN)

3.0 Objectives of the Scheme

The objectives of the scheme are to:

- i. Fast-track the development of the manufacturing SME sector of the Nigerian economy by providing guarantee for credit from banks to SMEs and manufacturers.
- ii. Set the pace for industrialization of the Nigerian economy.
- iii. Increase the access to credit by promoters of SMEs and manufacturers.
- iv. Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis.

4.0 Managing Agent

The Central Bank of Nigeria (CBN) shall be the Managing Agent and be responsible for the day to day administration of the Scheme.

5.0 Activities to be covered Under the Scheme

The activities to be covered under the Scheme are:

- (i) Manufacturing
- (ii) Agricultural Value Chain
- (iii) Educational Institutions
- (iv) Any other activity as may be specified by the Managing Agent from time to time.

Trading shall not be accommodated in this Scheme.

6.0 Definition of Small and Medium Scale Enterprises

For the purpose of this Scheme, a Small and Medium Scale Enterprise (SME) is an enterprise that has asset base (excluding land) of between N5million –N500 million and labour force of between 11 and 300.

7.0 Eligibility Criteria for Participation in the Scheme

a. Participating Bank (PB)

All Deposit Money Banks and Development Finance Institutions (DFIS) shall be eligible.

b. Borrower

A borrower shall meet the following criteria to be eligible:

- Any entity falling within the definition of an SME
- A wholly-owned and managed Nigerian private limited company registered under the Companies and Allied Matters Act of 1990.
- A legal business operated as a sole proprietorship
- *A start-up company with satisfactory cash flows indicating a Fixed Asset cover ratio of 100: 150.*
- A Franchise

- Have no non-performing or delinquent loans with any financial institution
- Be a member of the Organized Private Sector Bodies/Associations such as Nigerian Association of Small & Medium Enterprises (NASME), the Manufacturers Association of Nigeria (MAN), etc.
- Have a clear business plan.
- Provide up-to-date records on business operations, if any.
- Satisfy all requirements specified by a Participating Bank.

A Borrower shall have one loan under the Scheme at any point in time.

8.0 Modalities of the Scheme

i. Loan Amount

- Maximum Loan amount is N100 million which can be in the form of Working Capital, Term Loans for refurbishment/equipment upgrade/expansion, overdrafts, etc.

ii. Guarantee Cover

- *The guarantee cover shall be 80% of principal and interest and shall be valid up to the maturity date of the loan with a maximum tenure of 7 years inclusive of a 2-year moratorium. The Guarantee shall be executed at the point of the loan disbursement by the Bank to the customer and shall be redeemed when the facility becomes non-performing and classified under the loss category of the Prudential Guidelines.*
- In the event of recoveries after payment of claims by the CBN, such recoveries shall be shared in the ratio of 80:20 for CBN and Participating Banks respectively.

iii. Interest Rate

The lending rate under this Scheme shall be at Prime Lending Rate (PLR) of the participating Banks.

9.0 Acceptable Collateral

The security to be offered to a bank for the purpose of any loan under the Scheme shall be one realizable and acceptable to the participating bank(s).

10.0 Loan Tenor

- (i) Loans shall have a maximum tenor of seven (7) years and/or working capital facility of one year with provision for roll over.
- (ii) The Scheme allows for moratorium in the loan repayment schedule.

11.0 Procedure for Applying for the Guarantee

- All loan applications by SME promoters under the Scheme shall be made directly to the Participating Bank accompanied by the necessary documents as per normal loan processing requirement and the PBs applying the same degree of due diligence and professionalism as in the normal course of banking business.
- Applications received by Participating Banks should be processed promptly and the period elapsing between the submission of an application and requisite documents for appraisal under the Scheme and its approval or otherwise will not exceed 60 days. Banks may call for information which has not been sufficiently provided by the applicant. Officials of the Managing Agent may call on banks which have not acted within a reasonable time on any application submitted to them.
- Participating Banks should submit application for guarantee using a standard application form, on behalf of their clients to the Managing Agent .

- The application for a guarantee should be accompanied with Offer Letters.

12.0 Verification/Monitoring of Projects.

- (i) Projects under the Scheme shall be subject to verification by the Managing Agent. Acceptance or rejection of an application for a guarantee by the CBN shall be communicated to the PB and the borrower within 14 working days after verification.
- (ii) The project shall be subject to monitoring by the Managing Agent (CBN) during the loan period.
- (iii) The CBN has the right to reject a request from any Participating Bank if it contravenes any section of the Guidelines.

13.0 Responsibilities of Stakeholders:

For the effective implementation of the Scheme and for it to achieve the desired objectives, the responsibilities of the stake holders shall include:

a. The CBN

The Central Bank of Nigeria shall:

- Provide Fund for the Scheme
- Act as the Managing Agent of the Fund.
- Determine the limits of guarantee of the Scheme
- Carry out verification/monitoring of projects under the Scheme.
- Process Applications for guarantee from Participating Banks within 21 days of receipt of such application.
- Request PB(s) to render periodic returns as may be specified from time to time.

b. The Organised Private Sector Associations (MAN, NASME, etc)

The Organised Private Sector Associations shall:

- Accredite would-be beneficiaries of the Scheme
- Ensure prompt repayment of loans by members

c. The Participating Banks (PB[s])

The PB(s) shall:

- Grant credit facilities to SME Promoters at prime lending rate;

- Approve loan requests under the Scheme based on normal business consideration exercising appropriate due diligence;
- Render periodic returns under the Scheme as may be specified by the CBN from time to time; and
- Monitor the projects during the loan period.

d. Borrower

The borrower shall:

- Utilise the funds for the purpose for which it was granted.
- Insure the charged assets being financed.
- Adhere strictly to the terms and conditions of the Scheme.
- Make the project and records available for inspection/verification by the CBN.

14.0 Discontinuation of a Credit Facility

Whenever a credit is repaid or the facility is otherwise discontinued, the PB shall advise the CBN immediately, giving particulars of the credit facility.

15.0 Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the Managing Agent.

16.0 Enquiries and Returns

All enquiries and returns should be addressed to:

Director,
Development Finance Department,
Central Bank of Nigeria, Corporate Headquarters
Central Business District, Abuja.
Fax No. 09-4628655

**Development Finance Department
Central Bank of Nigeria,
Abuja.**

March 30, 2010