

GUIDELINES FOR THE OPERATION OF MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT FUND FOR NIGERIA

Chapter One

1. Background

A large number of un-served and under-served clients exist in the Nigerian MSME sub-sector. In order to address the funding requirements of this critical segment of the economy, *Section 6.10* of the revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria stipulates that ***“a Microfinance Development Fund shall be set up, primarily to provide for the wholesale funding requirements of MFBs/MFIs”***. The Policy also stipulates 80:20 prescription for on-lending to micro enterprises and SMEs respectively, hence the decision of the Central Bank of Nigeria to rename it **“Micro, Small and Medium Enterprises Development Fund’ (MSMEDF)**. The Fund shall have a seed capital of N220billion.

Considering the peculiar challenges faced by women in accessing financial services in Nigeria, the Revised Microfinance Policy, Regulatory and Supervisory Framework in Section 4.2 (iv), provides that women’s access to financial services should increase by 15 per cent annually in order to eliminate gender disparity. In order to achieve this, 60% (N132.00 Billion) of the Fund has been earmarked for providing financial services to women.

In operating the Fund, special consideration shall also be given to institutions that will provide financial services to graduates of the Central Bank of Nigeria’s, Entrepreneurship Development Centers (EDCs).

1.1 Guidelines on the Micro, Small and Medium Enterprises Development Fund (MSMEDF)

This Guideline specifically sets out the general modalities for operating the N220.00 billion MSMEDF.

1.1.1 Seed Capital

The Fund shall have a take-off seed capital of N220billion, 60 per cent of which shall be committed to providing financial services to women.

1.2 Key Objectives

The Fund shall have two main objectives as follows:

1.2.1 Social/Developmental objectives/Grants

Ten (10) per cent of the Fund shall be earmarked for social and developmental objectives in the following categories:

• Grants (5%)	11.0 billion
• Interest Drawback Program (3%)	6.60 billion
• Managing Agent's (MA) Operational Expenses (2%)	N4.4 billion

	22.0 billion

The N4.4 billion allocated to the Managing Agent (MA) above is for its take-off. The MA will be expected to generate income from its operational activities to fund its future expenses on a sustainable basis.

A total of N6.6 billion earmarked for Interest Drawback will be used to settle the rebates to customers of Participating Financial Institutions (PFIs) under the Fund who repay their loans as and when due.

The N11.0 billion for grants will fund programmes that are aimed at developing the MSME sub-sector.

Details of the application of the grant are:

- Capacity building of staff of Microfinance Banks (MFBs), Microfinance Institutions (MFIs), similar institutions and their apex bodies.
- Promoting the development of appropriate regulatory regime for MSME lending.
- Supporting initiatives that will promote financial literacy, entrepreneurship development.
- Supporting programmes that are geared towards the mobilization, training and linking of MSMEs to financial services.
- Research and Development.
- Promotion of MSME friendly financial innovations and products.
- Development of Financial Infrastructure in support of MSMEs

1.2.2 Commercial Objectives

The balance of ninety (90) per cent of the Fund, amounting to N198 billion, will be utilized for the provision of direct on-lending facilities to Participating Financial Institutions (PFIs) in either of the following forms:

	<u>Women (60%)</u> <u>N'Billion</u>	<u>Others (40%)</u> <u>N'Billion</u>	<u>Total</u> <u>N'Billion</u>
• Wholesale Funding (90%)	106.92	71.28	178.20
• Refinancing & Guarantee (10%)	11.88	7.9	19.8
• Total (100%)	118.8	79.2	198

1.2.3 Utilization of the Fund by Enterprises.

In terms of type of enterprises to be funded, the Fund shall be dispensed as follows in line with the provisions of the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria.

	Women N 'Billion	Others N 'Billion	Total N 'Billion
• Microenterprises (80% of the Commercial component)	95.04	63.36	158.40
• SMEs(20% of the Commercial component)	23.78	15.84	19.80
• Total	118.8	79.20	198.0

1.3 Enterprises to be financed by Participating Financial Institutions (PFIs)

The PFIs can seek for facilities for the following enterprises:

- Agricultural Value Chain activities,
- Trade and general commerce
- Cottage Industries,
- Artisans
- Services: hotels, schools, restaurants, laundry etc.
- Any other income generating projects as may be prescribed by the Managing Agent.

1.3.1 Maximum amount of the Fund for Trading and Commerce

In order to ensure that productive sectors of the economy continue to attract more financing necessary for employment creation and diversification of the country's economic base, a maximum of 10% of the Commercial component of the Fund shall be channeled to trading and commerce.

1.4 Management and Administration of the Fund

The Fund shall be managed by a Special Purpose Vehicle (SPV) under the terms and conditions defined in this Guideline. In addition, the office in the SPV that is responsible for the administration of the women component of the Fund shall be headed by a woman. The CBN shall commence the management of the Fund pending the establishment/appointment of the SPV or Managing Agent.

1.5. Definition of Terms

1.5.1 Eligible Enterprises

The following shall be eligible enterprises under the Fund:

a. Micro Enterprises

Micro enterprises are enterprises with less than 10 employees with a total asset of less than N5 million (excluding land and buildings) and operated by sole proprietor.

b. Small and Medium Enterprises

Small and Medium Enterprises (SMEs) are defined as entities with asset base of N5 million and not more than N500 million (excluding land and buildings) with labour force (employees) of between 11 and 200.

c. Women-owned Enterprises

This refers to Nigerian women (group or individuals) or Enterprises that are at least 75% owned and or operated by female Nigerians.

1.5.2 Participating Financial Institutions (PFIs)

Participating Financial Institutions shall be Microfinance Banks, Microfinance Institutions (NGOs and Financial Cooperatives) and Finance Companies that satisfy the eligibility criteria defined in the Guideline.

a. Microfinance Banks

A Microfinance Bank (MFB) is any company licensed to carry on the business of providing microfinance services, such as savings, loans, domestic funds transfer and other financial services that are needed by the economically active poor, as defined by the Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria.

b. Microfinance Institutions

A Microfinance Institution (MFI) is an establishment registered to carry on the business of microfinance services, such as savings, loans and other financial services that are needed by its members.

c. Finance Companies

A Finance Company is a company licensed to carry on the business of providing financial services to individuals, entrepreneurs, industries as well as commercial or agricultural enterprises as defined by the CBN Guidelines for Finance Companies in Nigeria.

d. Lending Institutions (LIs)

A Lending Institutions is a Deposit Money Bank (DMB) or any other financial institutions that can provide wholesale lending to PFIs under the Fund.

1.5.3 Managing Agent

An organization appointed by the Central Bank of Nigeria to manage the MSMED Fund and its day-to-day operations.

It shall have a Steering Committee constituted in line with its approved shareholding structure and chaired by the Governor, Central Bank of Nigeria. Other members shall include:

(a) The Deputy Governor, Financial Systems Stability

(b) Representatives of:

- Federal Ministry of Finance
- Nigeria Deposit Insurance Corporation
- National Association of Microfinance Banks
- National Association of Non-Bank Microfinance Institutions
- National Poverty Eradication Programme
- Small and Medium Enterprises Development Agency of Nigeria
- Ministry of Women Affairs and Social Development

(c) Development Finance Department of CBN to provide the Secretariat

1.6 Monitoring and Evaluation Framework

- The financed projects shall be subject to on-site verification and monitoring by the CBN, the Managing Agent and PFI during the loan period. There shall also be off-site ICT based reporting system to provide up-to-date information on the Fund's activities.
- Reports of the monitoring exercise shall be shared with the concerned PFIs.
- MA and CBN shall leverage Apex Associations' capacities and information in monitoring and evaluation.
- CBN to also periodically evaluate the activities of the MA and PFIs to ensure achievement of the objectives of the Fund.

Chapter Two

2.0 WHOLESALE FUNDING

2.1 Overview of Wholesale Funding

The Wholesale Funding shall be one of the major commercial activities of MSMEDF. In consonance with most micro economic activities, the Fund shall be disbursed as short term, upfront bulk facilities (usually for maximum of 3 years for SMEs lending) to PFIs to enable them on-lend to their clients.

2.2. Objectives of Wholesale Funding

The objectives are to:

- i. Provide upfront facility for on-lending to qualified and eligible PFIs.
- ii. Improve the capacity of the PFIs to meet credit needs of MSME.
- iii. Reduce the cost of funds of the PFIs and ensure that this translate into cheaper borrowing costs for the MSMEs.

2.3 Participating Financial Institutions (PFIs)

The PFIs under the Wholesale Funding arrangement shall include all Microfinance Banks, Non-Bank Microfinance Institutions (NGO-MFIs)/Financial Cooperatives and Finance Companies.

2.4 Eligibility Criteria for PFIs

2.4.1 Microfinance Banks & Finance Companies

For a microfinance bank/finance company to be eligible for wholesale funding, it shall satisfy the following conditions as obtained from its latest CBN and NDIC examination reports:

- Compliance with Regulatory Capital
- Compliance with prevailing Prudential Ratios
- Average deposit growth rate of 20 % per annum(for institutions operating for over 2 years)
- Average clientele base growth rate of 20% per annum(for institutions operating for over 2 years)
- Risk Management Framework acceptable to the regulators
- Corporate Governance Culture acceptable to the regulators and as indicated by:

- Adherence to Sound Ethical Values
 - Degree of Separation of Ownership from Control/Management
 - Number of non-performing Insider Related Facilities
- Evidence of Membership of apex association and up-to-date payment of annual subscription
 - Compliance with up-to-date and timely rendition of monthly returns to the CBN as stipulated in the revised Microfinance Policy, Regulatory and Supervisory Framework of Nigeria.

2.4.2 Microfinance Institutions (NGO/MFIs and Financial Cooperatives)

- Registration with Corporate Affairs Commission or Cooperative Department of the States or Federal Government.
- A corporate profile acceptable to the MA
- Evidence of a Risk Management Framework acceptable to the Managing Agent (MA).
- Soundness of Corporate Governance acceptable to the MA.
- Submission of six (6) months statement of account from the bank where they have maintained account;
- Membership of the apex association with evidence of up-to-date payment of subscription.
- Compliance with up-to-date and timely rendition of monthly returns to the CBN as stipulated in the revised Microfinance Policy, Regulatory and Supervisory Framework of Nigeria.
- Reference Letter from a third party guarantor acceptable to the MA.

2.5 Limits of Wholesale Funding

2.5.1 Loan Amount

Maximum loan amount shall be as indicated in the table below or 100% of Shareholder's Fund Unimpaired by losses for participating MFBs and Finance Companies desirous of facilities in excess of the amounts shown in the table below. All the facilities will have option of roll-over upon satisfactory utilization.

SN	Financial Institution	Facility Limit
1	Unit Microfinance	N10 million
2	State Microfinance	N50 million
3	National Microfinance	N1 billion
4	NGO/MFIs	N5 million
5	Financial Cooperatives	N5 million
6	Finance Companies	N5 Million

On-lending to clients shall be based on the assessment by the PFIs, but subject to the provisions of the Single Obligor Limit as specified in the Prudential Guidelines of the Central Bank of Nigeria.

2.5.2 Interest Rate

The Fund shall be administered at an interest rate of 9% to the PFIs with a spread of 6 % bringing the lending rate to a maximum of 15 % per annum. This is however subject to review by the Steering Committee of the Fund.

However, SMEs seeking facilities for asset acquisition are entitled to an appropriate moratorium to be decided by the MA, on case by case basis.

2.5.3 Loan Tenor

The facility shall have a maximum tenor of 3 years depending on the type of enterprise (MSME).

2.6 Documentation and Other Requirements

Eligible institutions shall submit their applications for Wholesale Funding along with the following documents:

- i. Latest financials of the PFI (Management Accounts will be acceptable in lieu of Audited Accounts)
- ii. Certificate of Incorporation evidencing the registration or incorporation of the PFI with the Corporate Affairs Commission and or relevant agencies.
- iii. Within 7 days of the receipt of the requests, the Managing Agent shall inform the banks in writing, the status of their application.
- iv. Rejection of an application for wholesale funding by the MA shall be communicated to the PFI.
- v. An on-lending agreement shall be signed between Managing Agent and the PFI if the application is approved.
- vi. In addition to the above, a PFI shall be required to submit a list of customers that benefited from the Wholesale loan; not more than three (3) months from date of disbursement of the loan to the PFI.
- vii. The PFI shall provide evidence of submission of names of beneficiaries of Wholesale Fund to licensed Credit Bureaux.
- viii. Irrevocable Standing Payment Order signed by authorized signatories of the PFI to debit its account with its correspondent DMB to recover the principal and accrued interest of the Wholesale Fund and remit same to Managing Agent.

2.7 Acceptable Collateral

A combination of the following collaterals shall be accepted by the MA as security for the exposure to PFIs:

- i. Legal Mortgage over acceptable and appropriately valued assets including undeveloped land.
- ii. Guarantees from promoters of PFIs and their partners that is acceptable to the MA.
- iii. Any other collateral acceptable by the MA from time to time.

2.8 Interest Drawback Programme (IDP)

In order to reduce the interest burden on the borrowers and encourage good borrowing and repayment culture, an Interest Drawback Programme (IDP) shall be enjoyed by borrowers who repay their loans as and when due.

The IDP shall be to the tune of 40% of the interest paid within the tenor of the facility. The IDP may be varied from time to time by the Managing Agent but the objective remains to retain effective borrowing rate to the clients, as much as possible, within single digit interest rate.

All applications for IDP shall be made by the PFIs, on behalf of their customers with the following details:

- Name
- location
- Amount
- Due Date
- Date Repaid
- Interest Rate
- Interest Paid
- Interest Draw Back Due

Upon filing of request for payment of the Interest Drawback, the Managing Agent shall authenticate the schedule and if found correct in all respects, shall jointly sign the schedule with the PFI official. Thereafter, PFIs' accounts shall be credited within 15 days for immediate crediting of the account of the customers. The PFIs shall accordingly inform the Managing Agent of the date the transaction is concluded on the customer's account.

For SMEs whose tenors are one year and above, satisfactory operation of the account in line with conditions of the offer is eligibility for IDP. In this case, the IDP is deemed due every quarter and will be paid upon request by the MA according to conditions already outlined above.

2.9 Discontinuation of the Wholesale funding Facility

Whenever a facility is repaid or is otherwise discontinued, the PFIs shall advise the Managing Agent immediately, giving particulars of the facility. Any outstanding amount under the facility shall be refunded to the Managing Agent.

Chapter Three

3.0 GUARANTEE FACILITY

3.1 Overview of Guarantee

As different from existing guarantees being operated by the Central Bank of Nigeria, the MSMEDF guarantee is aimed at encouraging Deposit Money Banks (DMBs) and other financial institutions to lend bulk money to MFBs and MFIs and also sustainably nurture a long term business relationship between the two categories of institutions. The guarantee will thus be on behalf of the MFB/MFIs and in favour of the Deposit money banks.

3.2 Objectives of the Scheme

The objective of the Guarantee is to provide incentives to Deposit Money Banks to increase lending to MFBs/MFIs. This is expected to, in turn, boost activities of diverse MSMEs with its numerous positive effects on the Nigerian economy. The Guarantee shall be 80% of the loan granted to the PFIs.

3.3 Modalities

- An MFI or MFB will apply to the LIs for wholesale loan/Fund.
- The loan request would be appraised by the LIs to ensure that it is meant for an eligible economic activity and satisfies its lending policies and conditions.
- The LI, if satisfied, will approve the loan request by the MFB/MFI.
- The LI will apply to the MSMEDF for guarantee to cover the loan
- The MSMEDF shall appraise and if found eligible, issue guarantee certificate to back it up, upon approval of the request from the LI.
- Both the LI and the MSMEDF will monitor the utilization of the loan.
- The MSMEDF pays the LI when default occurs on the part of the MFB/MFI once LI calls the guarantee.

Notice shall be filed:

- 30 days after default for Micro enterprise loans
- 60 days after default for small enterprise loans and
- 90 days after default for Medium enterprise loans.

- The MSMEDF shall pay the LI 90 days after notice of default
- The LI shall follow-up on the outstanding balance with the MFB/MFI for collection and what is collected will be shared pro rata (by LI and MSMEDF) based on the guarantee.

3.4 Participating Financial Institutions (PFIs)

These are all Microfinance Banks, Non-Bank Microfinance Institutions (NGO-MFIs), Financial Cooperatives and Finance Companies that wish to borrow from Deposit Money Banks to sustain their operations.

3.5 Eligibility Criteria for PFIs

3.5.1 Microfinance Banks

For a microfinance bank/Finance Company to be eligible for guarantee under the Fund, it shall satisfy the following conditions as obtained from its latest CBN and NDIC examination reports:

- Compliance with Regulatory Capital
- Compliance with prevailing Prudential Ratios
- Risk Management Framework acceptable to the regulators
- Acceptable Corporate Governance rating
- Compliance with up-to date and timely rendition of monthly returns to the CBN as stipulated in the revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria.
- Evidence of Membership of apex association and up-to-date payment of annual subscription

3.6 Mechanism for Operation of the Scheme.

i. Limit

The guarantee cover shall be a maximum of 80% of amount in default.

ii. Guarantee Fee

The guarantee shall attract 1 % of its face value, payable upfront to the Fund.

iii. Interest Rate

The interest rate to be charged by the LIs for loans to PFIs as well as the on-lending rate by the PIs to the clients shall be market determined.

iii. Tenor

The guarantee shall have a maximum tenor of 3 years.

3.7 Acceptable Collateral

Any of the following collaterals may be acceptable to the MA as security for exposure to PFIs under its guarantee scheme:

- i. Legal Mortgage over appropriately valued asset including undeveloped land.
- ii. Guarantees from promoters of PFIs and their partners
- iv. Any other collateral acceptable by the MA from time to time.

3.8 Application for Guarantee

All applications for guarantee by LI under the Scheme shall be made directly to the Fund in the prescribed format indicating details of the wholesale loans approved for the PFI.

Applications received by the Fund shall be processed within 10 working days.

3.9 Documents to be submitted by the LIs

- i. The application for a guarantee
- ii. Application for wholesale facility from the PFI
- iii. Executed Offer Letter of the lending institution.
- iv. Repayment schedule between the LI and the MFB/MFI.

3.10 Guarantee Certificate

Each approved application for the LI would be issued with a “Guarantee Certificate”

3.11 Enhancement of Credit Facility

Under the guarantee scheme, LIs are permitted to extend credit facilities to PFIs above the guaranteed amount provided that due diligence has been followed. The LIs shall apply to the MA for an enhancement of guarantee to cover such facilities. However, any enhancement above 25% shall be subject to prior approval by the MA.

All guaranteed loans eligible for enhancement by the MA would be issued with a “Certificate of Enhancement”

3.12 Invoking the Guarantee

- (i) In the event of default, the LI shall serve the Fund with “Notice of Default” attaching all correspondences between the LI and PFI since the default was noticed.

- (ii) After giving “Notice of Default”, the LI shall make its best efforts to recover the amount in default and may dispose of any security obtained in respect of the loan, if possible.

If any balance remains outstanding after the above step has been taken, or where the recovery of any amount outstanding is impracticable, the LI may apply to the Fund for payment on “Guarantee Claim Form” in accordance with terms of the guarantee.

- (iii) A claim under the guarantee shall be submitted by the Head Office of the LI to the Fund. In order to facilitate prompt settlement of claim, the LI shall ensure that the application is complete in all respects and that the pre-requisites as set out under the Scheme are duly complied with.
- (v) If the claim is in order, the amount payable under the guarantee will be remitted to the account of the claiming LI. A receipt for the amount so paid should be issued immediately by the LI to the Fund.

Upon a payment being made as provided for above, the Fund shall be deemed to have been discharged from all its liabilities under the guarantee.

The amount received from the Fund in settlement of a claim under the Scheme must not be credited to the account of the defaulter who will remain liable to the lending bank.

- (vi) After invocation of the guarantee, the LI shall continue to exercise due diligence in recovering the amount.
- (vii) LIs may apply for write-off of the settled claims in their books after a period of 12 months.
- (viii) In the event of recoveries after payment of claims by the Fund, the LIs must notify the Fund within 10 working days. Such recoveries shall be shared in the ratio of 80:20 between the Fund and LI respectively.

3.13 Discontinuation of a Credit Facility

Whenever the facility is repaid or otherwise discontinued, the LI shall advise the Fund immediately. The LI is expected to return the guarantee certificate to the Fund within 5 working days of full repayment of the facility.

Chapter Four

4.0 REFINANCING FACILITY

4.1 Overview

One of the key components of the Fund is to avail PFIs a window to bridge temporary liquidity gaps that may arise from time to time due to their exposure to clients and other lending activities. The facility is meant to address challenges which the PFIs might face that might make it difficult for them to honour customer obligations, such as need for withdrawals.

4.2 Objectives of the Refinancing Facility

- Enable the PFIs take advantage of a better interest rate in meeting its liquidity requirements.
- Promote confidence in the sub-sector
- Provide resources for continued operations by the PFIs.

4.3 Eligible Institutions

Eligible institutions shall include Microfinance Banks (MFBs), Non-Governmental Organization (NGO) - Microfinance Institutions (NGO-MFIs), Financial Cooperatives and Finance Companies who are not utilizing wholesale funding facility under the MSMEDF.

4.4 Eligibility Criteria

4.5.1 Microfinance Banks

For a microfinance bank/Finance Company to be eligible for support from the Fund, it shall satisfy the following conditions as obtained from its latest CBN and NDIC examination reports:

- Compliance with Regulatory Capital
- Compliance with prevailing Prudential Ratios
- Risk Management Framework acceptable to the regulators
- Corporate Governance Culture acceptable to the regulators and as indicated by:
 - Adherence to Sound Ethical Values
 - Degree of Separation of Ownership from Control/Management
 - Number of non-performing Insider Related Facilities
 - Financial member of Apex Association.
- Compliance with up-to-date and timely rendition of monthly returns to the CBN as stipulated in the revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria.

- Evidence of Membership of apex association and up to date payment of annual subscription
- Irrevocable Standing Payment Order signed by authorized signatories of the PFI to debit its account with its correspondent DMB to recover the principal and accrued interest of the Wholesale Fund and remit same to Managing Agent.

4.5.2 Microfinance Institutions (NGO/MFIs and FCs)

- Registration with Corporate Affairs Commission or Cooperative Department of the State or Federal Government.
- Evidence of acceptable corporate profile
- Evidence of acceptable Risk Management Framework.
- Soundness of Corporate Governance acceptable to the Managing Agent.
- Membership of the apex association with evidence of up to date payment of subscription.
- Compliance with up-to date and timely rendition of monthly returns to the CBN as stipulated in the revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria.
- Irrevocable Standing Payment Order signed by authorized signatories of the PFI to debit its account with its correspondent DMB to recover the principal and accrued interest of the Wholesale Fund and remit same to Managing Agent.

4.6 Method of Application for Refinancing Facility

- A PFI shall submit request in the prescribed format to the Fund including details of the loans to be refinanced.
- Within 14 working days of receipt of the application, the Fund shall inform the PFI of the status of the application.
- If the request is granted, a Refinancing Agreement shall be signed between the Fund and the PFI.
- Release of fund will be effected after all conditions precedent to drawdown are fully met.

4.7 Mechanisms of the Refinancing Scheme

i. **Limit**

The Fund shall refinance a maximum of 80% of the loan portfolio of the PFIs for which refinancing is sought.

ii. **Interest Rate**

The Refinancing Facility shall be administered at an all-in Interest rate of 9% per annum.

iii. **Tenor of Facility**

The facility shall have a maximum tenor of 2 years.

4.8 Acceptable Collateral.

Any of the following collaterals may be accepted by the MA as security for exposure to PFIs:

- i. Legal Mortgage over appropriately valued asset including undeveloped land.
- i. Guarantees from promoters of PFIs and their legal partners.
- ii. Any other collateral acceptable by the MA from time to time.

4.9 Booking of New Loans after Refinancing

In a bid to further encourage lending to MSME businesses, every PFI that has its portfolio of loans refinanced shall be required to provide evidence of new MSME loans booked with the freed-up funds to the tune of at least 50% of amount refinanced.

4.10 Repayment of the Refinanced Facility

- i. PFIs shall be required to open a dedicated account with their correspondent DMBs for the purpose of the MSMEDF and advise the Fund of the account details.
- ii. The PFIs must submit a standing order for bullet repayment of the facility from the correspondent DMB in favour of the Fund on the advised account.
- iii. The standing payment order shall be due on a date not later than the tenor of the facility from the Fund.

Chapter Five

5.0 GRANTS

5.1 Overview

The Grant will be funds given to eligible activities/entities to support the social and developmental objectives of the Fund. The purpose shall be specified in advance and in strict adherence to the guidelines governing disbursement. Grants are usually not repaid as long as the guidelines are followed; however it might be called in, if specified conditions are not met. It shall be used to support activities specified in the guidelines and the eligible institutions/activities shall demonstrate counterpart resource support, where necessary.

5.2 Eligible Activities for Grants

5.2.1 Capacity/Institutional Building

- An initiative to upscale the capacity and skills of staff of PFIs.
- Business Development and Advisory Services
- ICT/Infrastructural Support
- Mobilization, Training and Linkages
- Development of Apex Associations of MFBs/MFIs

5.2.2 Technical Assistance

- Internship
- Secondment
- Mentoring
- Registration with Mix Market
- Sponsorship of Ratings
- Credit Bureau
- Movable Asset Registry

5.2.3 Research, Innovation and Product Development

- Studies/Surveys

5.2.4 Eligibility Criteria for Accessing the Grant.

Eligible institutions where applicable shall fulfill the following conditions:

- Certificate of Incorporation
- Latest financial statements
- Latest Audited accounts
- In case of MFBs, submission of last CBN and NDIC Examination Reports showing satisfactory performance on key indices as may be specified by the MA from time to time.

- Must be a member of the apex association with evidence of up to date payment of subscription.

5.3. Mechanism for Grants

A Selection Committee shall review all proposals taking into account the capacity, organization and the proposed programs of all applicants before they are considered for the grant. Priority shall be accorded to institutions/activities based in the rural areas, in order to promote financial inclusion.

i Procedure

- Association/institution shall submit its request in the prescribed format to the Fund.
- The Fund shall respond on the status of the application within 10 working days.
- The Fund shall subject the application to appraisal by the Selection Committee and upon satisfaction approve the grant.
- The Fund shall spell out the modalities for the disbursement in the offer letter, such as the need to have executed previous activities before subsequent disbursements and evidence of counterpart funding.

Chapter Six

6.0 Additional Incentives to PFIs under the Wholesale Lending and Refinancing Facilities

The following incentives shall be put in place to ensure that PFIs perform well in the utilization and repayment of their facilities:

Client Category	Interest Rate	Size of facility	Time taken to approve facility	Grant Support
Bronze Repaid Loans as at when due twice	Lending Rate (9%)	Original Loan x 2	4 weeks	Up to 20 % of approved activity cost
Silver Repaid Loans as at when due three times	Lending Rate (9%) minus 1	Original Loan x 3	3 weeks	Up to 30 % of approved activity cost
Gold Repaid Loans as at when due four times	Lending Rate (9%) minus 2	Original Loan x 4	2 weeks	Up to 40 % of approved activity cost
Diamond Repaid Loans as at when due five times	Lending Rate (9%) minus 3	Original Loan x 5 or more	1 week	Up to 50 % of approved activity cost
Platinum Repaid Loans as at when due more than five times	Lending Rate (9%) minus 4	Original Loan x 8 times	Less than one week	Could be more than 50% of approved activity cost

Chapter Seven

7.1 Roles and Responsibilities of Stakeholders

In order to achieve the desired objectives, the responsibilities of the stakeholders shall include:

7.1.1 The CBN

The Central Bank of Nigeria shall:

- Provide Fund for the Scheme and ensure that the Federal Government provides its own part/contributions.

7.1.2 Managing Agent (Special Purpose Vehicle)

- Act as the Managing Agent of the Fund.
- Carry out verification/monitoring of projects under the Fund.
- Process Applications for the various facilities from PFIs/LIs.
- Request PFIs and LIs to render periodic returns as may be specified from time to time.
- Determine the limits of the Fund.
- Specify the rate at which PFIs will lend under the Fund.
- Ensure the implementation of the Fund and publish periodic reports on its performance.
- Build capacity of stakeholders
- Review the Fund guidelines as may be necessary from time to time

7.1.3 Role of Lending Institutions

- Provision of credit facilities for PFIs
- Request for guarantees on behalf of the PFIs
- Monitor the on-lending activities of PFIs
- Submission of returns to MA and CBN as may be required from time to time.

7.1.4 Government.

- Support for the Fund's activities
- Participation in review of the Fund activities as may be required from time to time.

7.1.5 The Participating Financial Institutions (PFIs)

The PFI(s) shall:

- i Grant credit facilities to MSME Promoters
- ii. Approve loan requests under the Scheme based on normal business consideration by exercising appropriate due diligence
- iii Monitor the projects during the loan period.
- iv Put in place appropriate institutional arrangements for disbursing, monitoring and recovering the amount obtained under the Fund
- v. Ensure that at least 60 per cent of the Fund accessed under the MSMEDF is disbursed to women entrepreneurs.
- vi Render periodic returns on the performance of the Fund to the Central Bank of Nigeria and the MA as may be specified from time to time..
- vii Comply with the guidelines of the Fund

7.1.6 The Apex Associations (NAMBs, FHAN and ANMFIN)

The Apex Associations of the NAMB, FHAN and ANMFIN shall:

- Introduce would-be beneficiaries of the Fund
- Monitor performance of members
- Ensure prompt repayment of loans by members
- Build capacity of members to enable them qualify for the Fund's facilities

7.1.7 Borrower

The borrower shall:

- Utilize 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 MA, PFIs and LIs.

7.2 Penalties

Any infractions such as the following, will be a condition for barring a PFI from further benefiting under any support from the Fund:

- Diversion to unauthorized activities
- Default resulting to invocation of guarantee

7.3 Amendments

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

7.4 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. 09-46238655
www.cbn.gov.ng**