



# CENTRAL BANK OF NIGERIA

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## CIRCULAR TO ALL NON-INTEREST FINANCIAL INSTITUTIONS

The Central Bank of Nigeria in its efforts to increase access to finance by Non-Interest Financial Institutions and promote financial inclusion in the country, has introduced the following intervention schemes to cater for Non-Interest Financial Institutions (NIFIs):

- i. Non-Interest Guidelines for the Accelerated Agricultural Development Scheme (AADS)
- ii. Non-Interest Guidelines for Intervention in the Textile Sector
- iii. Guidelines for the Operations of the Agri-Business, Small and Medium Enterprises Investment Scheme (AGSMEIS) for Non-Interest Financial Institutions (NIFIs)
- iv. Guidelines for Micro, Small and Medium Enterprises Development Fund for Non-Interest Financial Institutions (MSMEDF for NIFIs)
- v. Non-Interest Guidelines for Non-Oil Export Stimulation Facility (ESF)
- vi. Non-Interest Guidelines for the Anchor Borrowers' Programme
- vii. Non-Interest Guidelines for Real Sector Support Facility (RSSF) through CRR
- viii. Non-Interest Guidelines for Real Sector Support Facility (RSSF) Revised Guidelines (V3)
- ix. Non-Interest Guidelines for the Operations of the Credit Support for the Healthcare Sector
- x. Modalities for the Implementation of the Creative Industry Financing Initiative (Non-Interest Version)
- xi. Non-Interest Guidelines for the Implementation of the N50 billion Targeted Credit Facility (TCF).

The revised guidelines may be accessed from the CBN website;  
[www.cbn.gov.ng/circulars.asp](http://www.cbn.gov.ng/circulars.asp)

For further information, kindly contact the Director, Development Finance Department, Central Bank of Nigeria, Corporate Headquarters, Abuja on 0946238600.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Kevin N. Amugo', written over a white background.

**KEVIN N. AMUGO**

**DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT**



## CENTRAL BANK OF NIGERIA

### NON INTEREST GUIDELINES FOR THE ACCELERATED AGRICULTURAL DEVELOPMENT SCHEME (AADS)

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#### **1. Purpose**

The objective of the Programme is to engage a minimum of 370,000 youths in agricultural production across the country over the next three years in order to reduce unemployment among the youths in the country.

#### **2. Objectives of the Scheme**

The broad objective of the AADS is to increase agricultural production towards food security, job creation and economic diversification.

##### **a. The specific objectives are to:**

- i. Promotion of National food security in each State through sustained interactions amongst stakeholders in the agricultural value chain;
- ii. Collaboration amongst State Governments, the CBN and relevant other stakeholders to create jobs in the agricultural sector, with strong focus on crops where States have comparative advantage; and
- iii. Provision of short and medium term funding windows for the implementation of the Scheme

##### **b. Target Group:**

Nigerian youths within the ages of 18 to 35 years

##### **c. Focal Activities:**

Two Agricultural Commodities where the state has comparative advantage

### **3. Operational Framework:**

#### **3.1 Mobilization and Clustering**

- i. State government to mobilize prospective young farmers with representation from all Senatorial Zones
- ii. State Governments/FCT to provide agricultural land in contiguous locations in all senatorial Zones. Minimum of 100 hectares per cluster
- iii. Prospective entrepreneurs (that meet the eligibility criteria) shall be grouped into clusters by commodity to be produced.
- iv. State government to allocate 2-5 hectares of land per beneficiary
- v. State Government to provide access roads, water sources and other infrastructure that will enhance agricultural production on the land
- vi. States may charge a rental on land (Max. of N10,000 per ha) to defray the cost of land clearing and other infrastructure provided. Rental charged will be embedded in the Economics of Production (EoP) of the farmer.

#### **3.2 Financing:**

- i. The PFIs will act as agents of the CBN in disbursing the financing to the beneficiaries, which shall be in kind.
- ii. The PFIs shall purchase the inputs for on-selling to the beneficiaries, using CBN approved non-interest financing contract of Murabaha, Istisna', etc at an all-inclusive rate of return of 9% p.a. For the financing of labour, the PFI shall use Service Ijarah or any other appropriate CBN approved contract for NIFIs with the same all-inclusive rate of return of 9%.
- iii. Financing tenor is 6 months for grains and broiler production (rice, maize, soy bean etc); 18 months for cassava; 24 months for egg production and ruminants; 5 years for plantation crops etc
- iv. Average financing size of N250,000 per ha for arable crops; N500,000 per unit for livestock; and N1.5 million naira for plantation crops like cocoa, cashew and oil palm.

### **3.3 Marketing:**

- i. Anchors/Processors/Aggregators shall sign uptake agreement with PMT.
- ii. Produce off-take shall be on cash and carry basis.
- iii. Contiguous nature of farms should reduce the logistics associated with aggregation.

### **3.4 Eligibility:**

- i. Beneficiary must be a Nigerian youth with the ages of 18 to 35 years
- ii. Sign an undertaking to abide by the terms of agreement of the Scheme

## **4. Stakeholders:**

### **4.1 Central Bank of Nigeria (CBN) shall:**

- i. Provide the fund.
- ii. Act as Managing Agent.
- iii. Be represented on the Programme Management Team.
- iv. Issue and review modalities and operating guidelines from time to time.
- v. Provide regulatory and supervisory oversight.
- vi. In conjunction with other stakeholders, monitor, evaluate and conduct impact assessment of the programme.
- vii. Provide periodic reports on the programme.

### **4.2 Federal Government of Nigeria (FGN) shall:**

- i. Provide strategic direction for the implementation of the Scheme through the Presidential Task Force
- ii. Enhance inter-agency collaboration to provide resource optimization and synergy.
- iii. Align programme objectives to National economic growth and development.
- iv. Review programme objectives and activities from time to time.

### **4.3 State Governments/FCT shall:**

- i. Express interest to participate to the Presidential Task Force and choose 2 commodities or farming enterprise where the State enjoys comparative advantage.

- ii. Provide enabling environment for implementation of the scheme.
- iii. Inaugurate the Project Management Team.
- iv. Provide cleared and contiguous farm lands for beneficiaries under the Scheme.
- v. Provide accessible road and water sources.
- vi. Provide basic livestock production facilities (ONLY for States involved in livestock production).
- vii. Provide security for farm lands.
- viii. Enrol extension officers to coordinate production and disseminate information on best agronomic practices.
- ix. Training beneficiaries on best agronomic practices and other value chain support information.
- x. Allocate 1-3 hectares of farm land or 1-3 units of livestock to beneficiaries.
- xi. Provide logistics support for the effective operations of the PMT.
- xii. Approve sanctions for erring input suppliers, service providers, anchors/processors, beneficiaries, and other stakeholders under the Scheme.

**4.4 Project Monitoring Team shall:**

- i. Coordinate the implementation of the Scheme and ensure its success.
- ii. Sign agreements with input suppliers, service providers, and anchors/processors that are willing to participate under the Scheme. Such agreements should stipulate that payment will be made with 30 working days of delivery
- iii. Liaise with input suppliers, service providers, commodity associations, and anchors/processors to ensure fair pricing, timely delivery of inputs and effective marketing of produce
- iv. Hold town hall meetings with all input suppliers and farmers representatives to agree on the Economics of Production (EoP) per hectare or per unit of livestock before fund disbursement for each production cycle
- v. Verify payment to input suppliers or service providers based on actual inputs supplied or services provided

- vi. Advise the CBN for payment to inputs suppliers or services providers through a formal letter, stating names and BVN of beneficiaries, farming activity, farm location, type and quantity of inputs supplied or services provided, date supplied or provided, agreed unit price, total amount per beneficiary, total amount payable to vendor etc.
- vii. Ensure that the projects are insured with Nigeria Agricultural Insurance Corporation (NAIC)
- viii. Ensure prompt payment of premiums to NAIC and follow up on all cases of claims by beneficiaries
- ix. Provide routine reports on production statistics, inputs supplied, services delivered, average output per hectare/unit for each enterprise, total output for each enterprise in each production cycle etc
- x. Recommend sanctions for erring input suppliers, service providers, anchors/processors, beneficiaries, and other stakeholders under the Scheme

**4.5 Participating Financial Institution (PFI) shall:**

- i. Conduct due diligence in account opening and credit appraisal.
- ii. Access funds from the CBN on Wakala basis for on-financing to eligible entrepreneurs.
- iii. Ensure that payments are made directly to vendors in respect of equipment to be acquired with the purchased facility and the PFI takes lien on such assets.
- iv. Charge the entrepreneurs the exact rate of return as prescribed by the CBN.
- v. Monitor the beneficiaries to ensure full utilization of the facilities.
- vi. Register beneficiaries' BVN on the National Collateral Registry (NCR).
- vii. Monitor projects.

**4.6 Input Suppliers/Service Providers shall:**

- i. Ensure timely delivery of inputs/services
- ii. Provide technical support on usage wherever it is required
- iii. Replace deficient inputs supplied to beneficiaries within 5 working days of receiving such complaints by beneficiaries

- iv. Provide effective customer services to feedback and complaints management

**4.7 Anchors/Processors shall:**

- i. Sign off-take agreement with the PMT
- ii. Off-take produce at the prevailing market price or average of 3 prices within the State
- iii. Make payment for all produce collected within 5 working days of collection
- iv. Provide logistics for produce aggregation and evacuation
- v. Provide technical support for harvesting and handling of produce

**4.8 Beneficiaries shall:**

- i. Be responsible for the management of the farm
- ii. provide third party guarantor for repayment of financing facility.
- iii. Cross guarantee one another
- iv. Must agree to work with extension workers
- v. Commit to abide by the terms of agreement and not to side sell produce
- vi. Repay the financing facility as and when due by surrendering the output to the Anchor or State

**4.9 Nigeria Agricultural Insurance Corporation (NAIC)** shall: provide insurance cover for agricultural enterprises.

**5. Infractions and Sanctions - Participating Financial Institutions (PFIs)**

- i. Diversion of funds by the PFI shall attract a penalty at its maximum financing rate at the time of infraction. In addition, such PFI shall be barred from further participation under the scheme;
- ii. Non- rendition or false returns shall attract the penalty stipulated by BOFIA section 60;
- iii. Charging rate of return higher than prescribed shall attract the penalty stipulated by BOFIA section 60;

- iv. Any PFI that fails to disburse the fund within the stipulated days of receipt to the borrower, shall be charged penalty at the PFI's maximum financing rate for the period the fund was not disbursed;
- v. Failure to remit repayments received to CBN within the stipulated period shall attract penalty at the PFIs maximum financing rate.

The CBN reserves the right to impose the appropriate sanction in respect of any other breach of the guidelines not specified in this section.

**Central Bank of Nigeria**

**June 2020**

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**CENTRAL BANK OF NIGERIA**  
**NON-INTEREST GUIDELINES FOR INTERVENTION IN THE TEXTILE**  
**SECTOR**

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### **1.0 Introduction**

The Central Bank of Nigeria in a bid to resuscitate the Textiles Industry has put in place a N50 billion special mechanism for restructuring of existing facilities and provision of further facilities for textile companies with genuine need for intervention. This was the result of the meetings between the Governor and owners of textile mills in Nigeria on August 7, and September 29, 2015. Among the resolutions reached were that the Textile Mills articulate the status of their BOI CTG Loans stating their outstanding loan balances, tenure, interest rate, interest payment and the assistance being sought from CBN.

### **2.0 Activities to be covered Under the Intervention**

The activities to be covered under the Intervention shall include operations in the CTG value chain as follows:

- Cotton ginning (lint production)
- Spinning (yarn production)
- Textile mills
- Integrated garment factories (for military, para-military and schools and other uniformed institutions)

### **3.0 Types of Facilities**

- Refinancing of existing projects
- Long term financing for acquisition of plant and machinery
- Working capital

### **4.0 Eligibility Criteria for Participation in the Scheme**

Textile Companies shall meet the following criteria to be eligible:

- Any textile company with an existing facility in the books of BOI under the CTG scheme (emphasis will be on facilities that are indicating weakness arising from tenor, structure as well as facing cash flow difficulties)
- Any textile company with existing facilities in DMBs/NIFIs
- Textile companies that are not participating under the SME/RRF
- Projects financed before June 2009 (inception of the BOI CTG Loan) shall not be eligible to participate.

## **5.0 Modalities of the Fund**

### **i. Seed Fund**

This is a one-off intervention with a seed fund of N50 billion and will terminate by December 31<sup>st</sup> 2025.

### **ii. Financing Amount**

Financing amount is a maximum of N2 billion for a single obligor in respect of new facilities and N1.0 billion for refinancing.

### **iii. Rate of Return**

- The Fund shall be administered at an all-in rate of return of 4.5 percent per annum payable on quarterly basis.
- The managing agent (BOI) shall receive 1.0% service charge from the return proceeds and remit 3.5% to CBN.

## **6.0 Financing Tenor**

- (i) Facilities shall have a maximum tenor of 10 years and or working capital facility of one year with provision for a maximum roll over of 3 years.
- (ii) The Intervention allows for a maximum moratorium of 2 years in the facility repayment schedule.

## **7.0 Mechanism for Participation under the Intervention**

### **7.1 Restructuring**

Existing benefiting companies would submit requests to BOI for consideration on case by case basis. The BOI's consideration of the applications shall be subject to approval by the CBN.

### **7.2 Refinancing**

- Each request must be accompanied with the following documents:
  - i. Request from DMBs seeking to transfer the facilities to BOI
  - ii. Three (3) years financials including the latest management account of the obligor
  - iii. Copies of duly executed offer documents between the bank and the obligor evidencing existence of a facility.
  - iv. 6 months loan account statements showing the current exposure
  - v. An abridged business plan of the underlying project for which the facility was initially approved. The plan must include the projects cash flow projections detailing the repayment schedule.
  - vi. Certificate of Incorporation evidencing the incorporation of the Company with the Corporate Affairs Commission
  - vii. Evidence of proposed employment generation by the benefiting company.
  
- Within 14 days of the receipt of the banks' requests, BOI shall inform the companies of the status of their application and also advise each company of the amount of its facility that shall be refinanced
- BOI shall forward the applications to CBN for approval and release of funds.

### **7.3 Requests for New Financings**

- Each request must be accompanied with the following documents:

- i. Application from prospective companies seeking to access new facilities from BOI
- ii. Three (3) years financials including the latest management account of the obligor
- iii. CRMS report
- iv. 12 months bank account statements
- v. A detailed feasibility study/business plan of the underlying project for which the financing is being sought
- vi. Certificate of Incorporation
- vii. Evidence of proposed employment generation by the company.

#### **8.0 Verification/Monitoring of Projects**

- (i) The project shall be subject to inspection by the CBN and BOI before approval.
- (ii) Monitoring would also be conducted by the CBN and BOI in the course of the life cycle of the project.

#### **9.0 Responsibilities of Stakeholders:**

For the effective implementation of the Intervention 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:

- Articulate clear modalities for the implementation of the Intervention
- Provide Fund for the Intervention
- Determine the limits of the Fund.
- Specify the rate at which BOI will finance under the Scheme
- Carry out verification of projects with BOI under the Programme before approval.

- Monitor the implementation of the Fund with BOI and publish periodic reports on its performance.
- Request BOI to render quarterly returns as may be specified from time to time.
- Build capacity of stakeholders
- Review the modalities

**b. Bank of Industry (BOI)**

**The BOI shall:**

- Restructure/refinance existing facilities
- Finance under the intervention at 4.5% using any of the CBN-approved non-interest financing instruments. These include:
  - Murabahah (cost plus mark-up sale) for acquisition of plant and machinery;
  - Ijarah (lease-to-own);
  - Istisna' (manufacture/construction and sale)
  - Diminishing Musharakah (diminishing contractual partnership) for asset acquisition and working capital financing.
- Put in place appropriate institutional arrangements for appraising, disbursing, monitoring and recovering the amount obtained under the Intervention.
- Submit amortization schedules of projects to CBN
- Render quarterly returns on the participation of companies to the CBN
- Remit repayment by beneficiaries on a quarterly basis to CBN

**c. Beneficiaries**

The beneficiaries shall:

- Utilise the funds for the purpose for which it was granted.
- Ensure prompt repayment of facilities

- Ensure the project being financed adhere strictly to the terms and conditions of the Intervention
- Make the project and records available for inspection/verification by the CBN and BOI  
Comply with the guidelines of the Intervention

#### **10.0 Discontinuation of the intervention**

Whenever a financing is fully repaid or the facility is otherwise discontinued, BOI shall return the funds to CBN within 7 working days.

#### **11.0 Amendments**

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

#### **12.0 Enquiries and Returns**

All enquiries and returns should be addressed to:

The Director,  
Development Finance Department  
Central Bank of Nigeria, Corporate Headquarters  
Central Business District, Abuja.  
Telephone No: 234-09-46239211

**Central Bank of Nigeria,  
Abuja.**

**June 2020**



## **CENTRAL BANK OF NIGERIA**

### **Guidelines for the Operations of the Agri-Business, Small and Medium Enterprises Investment Scheme (AGSMEIS) for Non-Interest Financial Institutions (NIFIs)**

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#### **1.0 Introduction**

- 1.1 The Agri-Business, Small and Medium Enterprise Investment Scheme (AGSMEIS) (hereinafter called AGSMEIS or the Scheme) is an initiative of the Bankers' Committee established at its 331<sup>st</sup> Meeting held on February 9, 2017.
- 1.2 The Scheme supports government's policy measures and efforts for the promotion of agricultural businesses, micro, small and medium enterprises (MSMEs) as vehicles for sustainable economic development and employment generation.

#### **2.0 Objectives of the Scheme**

The objectives of the Scheme are to:

- 2.1 Improve access to affordable and sustainable finance by Agri-businesses, Micro, Small and Medium Enterprises (MSMEs)
- 2.2 Create employment opportunities in Nigeria
- 2.3 Boost the managerial capacity of agri-businesses and MSMEs to grow the enterprises into large corporate organizations in line with Federal Government's agenda to develop the real sector and promote inclusive growth.

#### **3.0 Activities covered by the Scheme**

Eligible activities under the Scheme are:

- 3.1 Businesses across the agricultural value chain, covering production, inputs supply, storage, processing, logistics and marketing.
- 3.2 MSMEs in the real sector including manufacturing, mining and petrochemicals.
- 3.3 MSMEs in the service sector including information and communication technology (ICT) and the creative industry.

- 3.4 Other activities as the Central Bank of Nigeria (CBN) may determine from time to time.
- 3.5 Financing under the Scheme shall be for start-ups, business expansion or revival of ailing companies and shall be in compliance with provisions of BOFIA (1991) as amended and the principles underpinning operations of NIFIs.

#### **4.0 Funding**

- 4.1 A Fund to be known as 'AGSMEIS Non-Interest Fund' to be domiciled in a dedicated account with the CBN is to be created.
- 4.2 Each Non-Interest Deposit Bank, full-fledged or window, shall set aside 5% of its profit after tax (PAT) annually as contribution to the Fund.
- 4.3 Each Non-Interest Deposit Bank shall transfer its contribution to the CBN not later than 10 working days after the Annual General Meeting (AGM) of the participating bank.

#### **5.0 Governance of the Scheme**

##### **5.1 Board of Directors (BOD)**

The Scheme shall have a Board of Directors (BOD) which shall be constituted by the Bankers' Committee. The Board shall comprise of eight members:

- i. Five from the Bankers' Committee (Top contributing banks to the Scheme)
- ii. Two representatives of the CBN (DDFD and DBSD)
- iii. The BOD shall select a Chairman for the Board
- iv. The Managing Director/CEO of the SPV shall be appointed by the BOD.

##### **5.2 Investment Vehicle**

A Special Purpose Vehicle (SPV) shall be established to manage and monitor investments/projects under the Scheme.

##### **5.3 Secretariat**

The Development Finance Department of the Central Bank of Nigeria shall serve as the Secretariat for the Scheme.



## **6.0 Application of the Fund**

The application of the Fund shall be categorised into three broad components: debt, equity and developmental components.

- Debt – 50%
- Equity – 45%
- Developmental – 5%.

## **7.0 Debt Component**

The debt component shall constitute 50% of the fund which shall be disbursed as financings to eligible businesses through Non-Interest Deposit Money Banks. The debt component shall comprise term financing (including equipment finance\*) and/or working capital where applicable.

\*Asset purchased shall be registered with the National Collateral Registry (NCR).

The terms of the financings shall be as follows:

- i. Financing limit: N10,000,000
- ii. Mark-up: 5% per annum
- iii. Tenor: Up to 7 years (depending on the nature/gestation period of the project)
- iv. Moratorium: Maximum of 18 months for principal and 6 months on mark-up.

### **7.1. Documentation Requirements**

#### **7.1.1 Micro, Small and Medium Enterprises:**

- i. Duly completed application form.
- ii. Bank Verification Number (BVN).
- iii. Certificate of Training from recognised Entrepreneurship Development Institution (EDI) or evidence of membership of organised private sector association.
- iv. Letter of Introduction from any of the following: Clergy, Village Head, District Head, Traditional Ruler, senior civil servant etc (for individuals/microenterprises only).
- v. Evidence of registration of business name or certificate of incorporation and filing of annual returns (where applicable) in compliance with the provisions of the Companies and Allied Matters Act (1990).

- vi. Tax Identification Number (TIN) and current Tax Clearance Certificate (TCC) where applicable.

## **7.2 Modalities:**

### **7.2.1 Micro, Small and Medium Enterprises:**

- i. Eligible applicants shall submit **completed** application form to the EDIs, Apex Trade Associations (ATAs) or Non-Interest Deposit Money Banks where applicable.
- ii. The EDIs, ATAs and Non-Interest Deposit Money Banks shall collate, appraise and submit applications to CBN.
- iii. An eligible applicant shall submit an application to any of the PFIs.
- iv. The PFI shall appraise and forward successful applications to the SPV.
- v. The SPV shall review the applications for completeness, approve and forward to the CBN
- vi. The CBN shall release funds to the PFIs as agents of the SPV for asset purchase.
- vii. The PFI shall purchase the asset on behalf of the SPV for on-selling to the applicant using exchange-based contracts of Murabaha, Salam or Istisna'a at a mark-up of 5% which is due in whole to the SPV.
- viii. The PFI shall transfer the financed asset through any of the approved exchange-based contracts to beneficiaries within 10 working days from its acquiring the asset on behalf of the SPV.
- ix. The beneficiaries shall start making payments after a moratorium of 18 months for principal and 6 months for mark-up.

## **8.0 Equity/Corporate Debt Financing Component**

The indirect component shall constitute 45% of the Fund which shall be channelled through SEC-licensed Islamic Fund Managers or Windows, for equity, quasi-equity and non-equity financing in agri-businesses and SMEs.

### **8.1 Equity investment**

The terms of the equity investment shall be as follows:

- i. Limit: 40% of investee company's equity subject to a maximum of N2,000,000,000

ii. Tenor: Up to 10 years with an initial lock-up period of 3 years.

The Articles of Association of the investee company shall not have a covenant prohibiting divestment of equity investment of the Scheme.

At the time of divestment, shareholders of the investee company shall have the right of first refusal.

Other terms to be determined by the Fund Manager, subject to compliance with the principles of non-interest banking and finance”.

## **8.2 Quasi-equity Investment**

The Quasi-equity investment shall include convertible Sukuk.

- i. Limit: subject to a maximum of N2,000,000,000
- ii. Tenor: Up to 10 years

Other terms to be determined by the Fund Manager, subject to compliance with the principles of non-interest banking and finance”.

## **8.3 Non-Equity Financing**

The debt financing shall include investment in, Shari'ah-compliant commercial papers and corporate Sukuk etc (excluding investment in Government bonds and Sukuk) of investee companies. The portfolio shall be managed by the Fund Managers under the oversight of the SPV.

Limit: Maximum of N2,000,000,000

Sukuk Coupon Rate: 5% per annum

Tenor: Up to 10 years (depending on the nature/gestation period of the project)

Moratorium: Maximum of 6 months for coupon payment.

## **8.4 Modalities:**

- i. An eligible applicant shall submit application to the Fund Manager.
- ii. The Fund Manager shall appraise and forward successful application(s) to the SPV for approval.

- iii. The SPV shall forward approved applications to the CBN for disbursement of fund to the investee company.

## **9.0 Developmental Component**

The developmental component of the Scheme shall be for capacity building and technical assistance to MSMEs as well as operational costs of the Scheme. It shall constitute 5% of the Fund.

## **10.0 Risk Management**

The SPV shall develop a risk management framework for the Scheme which shall be approved by the Board. The following risk management procedures shall apply:

### **10.1 Direct Component**

- i. All financings granted under the direct component shall be subject to the internal investment policy of the PFIs.
- ii. PFIs shall bear the credit risk of the financings granted.
- iii. PFIs shall accept all eligible collateral including movable assets registered with the National Collateral Registry (NCR) and other registries.

### **10.2 Indirect Component**

- i. Investment agreement shall be entered into between the parties which shall include exit arrangements.
- ii. The Fund Managers shall render quarterly risk management reports on investments to the CBN and SPV.
- iii. Submission of an Investment Committee Memo confirming due diligence on the Company and the feasibility of the project financed.

## **11.0 Monitoring and Evaluation**

There shall be regular joint monitoring and evaluation of projects by the CBN, SPV, Fund Managers and PFIs. Reports of the exercise shall be submitted to the Board.

## **12.0 Responsibilities of Stakeholders**

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

### **12.1 The Central Bank of Nigeria**

The CBN shall:

- i. Articulate clear guidelines for the implementation of the Scheme;
- ii. Ensure that 5% of profit after tax of each Non-Interest DMB is set aside for the Scheme
- iii. Monitor the implementation of the Scheme;
- iv. Ensure that the PFIs and Fund Managers comply with this Guidelines;
- v. Build capacity of stakeholders;
- vi. Disseminate information on the Scheme to Agri-Business, MSMEs and other stakeholders;
- vii. Be the custodian of the Fund;
- viii. Provide periodic reports to its Management on the performance of the Scheme;
- ix. Maintain the database of all investments under the Scheme.

### **12.2 The Bankers' Committee**

The Bankers' Committee shall:

- i. Appoint a Board of Directors to oversee the Scheme;
- ii. Obtain the cooperation of all stakeholders;
- iii. Disseminate information on the Scheme to Agri-business, MSME promoters and the public;
- iv. Monitor the implementation of the Scheme;

### **12.3 Board of Directors (BOD)**

The Board of Directors shall:

- i. Provide policy direction for the implementation of the Scheme
- ii. Make presentation and recommendations to the Bankers' Committee on the Scheme
- iii. Appoint the Management team of the SPV
- iv. Approve the terms and conditions of the staff of the SPV

- v. The Board shall appoint indigenous private equity managers to act as Fund Managers
- vi. Determine the fees of the Fund Managers
- vii. Appoint representatives with relevant skills on the Board of the investee company.
- viii. Perform all other duties as may be prescribed by the Bankers' Committee from time to time.

#### **12.4 Special Purpose Vehicle (SPV)**

The Special Purpose Vehicle shall:

- i. Review applications from Fund Manager(s) and forward to the Secretariat for disbursement;
- ii. Hold and manage investments in SMEs on behalf of the Scheme
- iii. Appoint representative(s) to the Board of the investee company
- iv. Participate in joint monitoring of projects and submit reports to the Board
- v. Provide audited statement of accounts to stakeholders
- vi. Maintain the database of all investments under the Scheme;
- vii. Render reports on the Scheme
- viii. Comply with the guidelines of the scheme

#### **12.5 Fund Managers**

The Fund Manager shall:

- i. Identify suitable private equity SMEs for investment
- ii. Conduct due diligence on applications submitted
- iii. Submit an Investment Committee Memo on companies being financed
- iv. Report on the activities of the investment to the CBN and SPV on a monthly basis
- v. Provide technical support to agri-business and MSMEs to minimise the risk of the investments
- vi. Remit proceeds of dividends from investment to the Fund within 10 days of receipt
- vii. Remit 5% Sukuk coupon rate on non-equity financing component to the Fund within 10 days of receipt
- viii. Exit the investment and remit proceeds to the CBN at the end of investment
- ix. Maintain a database of their investments under the Scheme;
- x. Prepare the risk management report on their portfolios
- xi. Comply with the Guidelines of the Scheme

## **12.6 Participating Financial Institutions**

The PFIs shall:

- i. Develop operational, credit and accounting framework for the Scheme
- ii. Transfer the financed asset through any of the CBN-approved non-interest financing contracts to the investee company.
- iii. Maintain records of their investment in the appropriate books;
- iv. Conduct due diligence and appraise the applications to be submitted to SPV
- v. Remit monthly principal settlements to the CBN.
- vi. Retain 2.5% mark-up on the financing and remit 2.5% to the Fund.
- vii. Comply with this Guidelines
- viii. Carry out any other duties as the CBN/Bankers' Committee may prescribe from time to time.

## **12.7 Beneficiaries**

Beneficiaries shall:

- i. Allot shares and issue Sukuk certificate of investment to the SPV (where applicable)
- ii. Ensure prudent utilisation of funds
- iii. Keep up-to-date records on the companies' activities under the Scheme;
- iv. Make the companies' books, records and structures available for inspection by the appropriate authorities (including the Fund Manager, the SPV and the CBN) when required;
- v. Comply with Guidelines of the Scheme.

## **13.0 Infractions and Sanctions**

A PFI/Fund Manager that:

- (i) Diverts funds shall be liable to a penalty at the MPR (at the time of infraction) +300 basis points of the diverted funds. In addition, such PFI/Fund Manager shall be barred from further participation in the Scheme;
- (ii) Fails to disburse/invest the fund or transfer the financed asset within 14 days of receipt to the investee shall be liable to a penalty at the MPR+300 basis points for the period the fund was not disbursed or asset not transferred;

- (iii) Fails to repatriate funds realized from divestment from investee projects within 5 working days to the CBN shall be liable to a penalty at the MPR + 300 basis points for the period the fund was not repatriated.
- (iv) Any breach of this Guidelines shall attract penalties as prescribed under the provisions of the BOFIA.

**14.0 All enquiries should be addressed to:**

Director,  
Development Finance Department,  
Central Bank of Nigeria, Corporate Headquarters  
Central Business District  
Abuja.  
Tel: No.: +234 9 4623 8600

**15.0 Amendments**

**This Guidelines shall be subject to review from time to time by the Central Bank of Nigeria.**

**CENTRAL BANK OF NIGERIA**

**June 2020**



## APPENDIX

### Definition of Terms

#### 1.0 Bankers' Committee

The Bankers' Committee is made up of the Governor of the CBN, the Managing Director of the Nigeria Deposit Insurance Corporation (NDIC) and the Managing Directors/CEOs of all non-interest DMB in Nigeria.

#### 2.0 Agribusiness

Agribusiness in the context of these guidelines shall be a business involved in any of the agricultural value chain including production, processing, storage and logistics.

#### 3.0 Profit after tax (PAT)

The PAT shall be the profit of a participating bank after making provisions for company income tax.

#### 4.0 Participating Financial Institutions (PFIs)

Any Deposit Money Bank or Microfinance Bank licensed by the Central Bank of Nigeria to provide banking services in Nigeria.

#### 5.0 Investee Company

Investee Companies is a company in which the Fund Managers make equity investment on behalf of the Bankers' Committee.

#### 6.0 Bankers' Committee

The Bankers' Committee is a committee comprising the Central Bank of Nigeria, the Nigerian Deposit Insurance Corporation, Deposit Money Banks, Discount Houses and Merchant Banks operating in Nigeria.

#### 7.0 Board of Directors

A board constituted by the Bankers' Committee to conduct due diligence on applications received from the participating banks/Fund Managers

#### 8.0 Fund Managers

Private equity investors licensed by SEC and appointed by the BOD



## CENTRAL BANK OF NIGERIA

### GUIDELINES FOR MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT FUND FOR NON-INTEREST FINANCIAL INSTITUTIONS (MSMEDF FOR NIFIs)

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#### CHAPTER ONE

##### 1.0 ESTABLISHMENT OF THE FUND

As part of its developmental role and mandate of promoting a sound financial system, the Central Bank of Nigeria (CBN) launched the Micro, Small and Medium Enterprises Development Fund (MSMEDF) on August 15, 2013. This was in recognition of the significant contributions of the Micro, Small and Medium Enterprises (MSME) sub-sector to the economy.

The sub-sector is characterized by huge financing gap which hinders the development of MSMEs. 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’. To fulfil the provisions of Section 4.2 (iv) of the Policy, which stipulates that women’s access to financial services to increase by at least 15 per cent annually to eliminate gender disparity, 60 per cent of the Fund has been earmarked for providing financial services to women.

This informed the decision of the Central Bank of Nigeria to establish the Micro, Small and Medium Enterprises Development Fund (MSMEDF). The Fund prescribes 50:50 ratio for on-financing to micro enterprises and SMEs respectively by Participating Financial Institutions (PFIs).

In addition, 2% of the wholesale component of the Fund shall go to economically active persons living with disabilities (PLWD) and 10% provided for start-up businesses.

## **1.1 Seed Capital**

The Fund shall have a take-off seed capital of N220billion.

## **1.2 Objective**

The broad objective of the Fund is to channel low return funds to the MSME sub-sector of the Nigerian economy through Participating Financial Institutions (PFIs) enhance access by MSMEs to financial services;

- Increase productivity and output of microenterprises;
- Create jobs; and
- Engender inclusive growth.

## **1.3 Components of the Fund**

The Fund shall have Commercial and Developmental components.

## **1.4 Commercial Component**

The Commercial Component shall constitute 90 per cent of the Fund which shall be disbursed in the form of Wholesale Funding to PFIs in the following ratio:

- 60% of the Fund: Women
- 40% of the Fund: Others

Objectives of Wholesale Funding are to:

- a) Provide facilities to eligible PFIs for on-financing to MSMEs;
- b) Improve the capacity of the PFIs to meet credit needs of MSMEs; and
- c) Reduce the rate of financing to the PFIs and the beneficiaries

## **1.5 Developmental Component**

The Developmental Component makes up the remaining 10 per cent of the Fund. It shall be earmarked for developmental programmes in form of Grants.

### **1.5.1 Grant**

The 10% Grant shall be utilized for the general development of the MSME sub-sector in the following areas:

- a) Capacity building
- b) Development of appropriate regulatory regime for MSMEs financing
- c) Financial literacy and entrepreneurship development
- d) Mobilization, training and linkage of MSMEs to financial services
- e) Research and Development of MSMEs-friendly financial innovations and products
- f) Business Development and Advisory Services
- g) Building of financial infrastructure to support the growth of MSMEs

It shall also serve as incentive targeted at PFIs that demonstrate good performance under the Fund. The grant will position such institutions with improved capacity to expand their outreach.

In order to qualify for the grant, PFIs shall be considered based on their outreach, repayment records and percentage of women enterprises financed. In applying for the grant, a PFI shall submit clearly defined project(s) including sources of funding. A PFI shall be allowed to access the grant window up to a maximum of 25% of the project cost and at the discretion of the CBN once in three years.

Other uses of the Grant sub-component include supporting internship programme, secondment, mentoring and registration with Mix Market, rating agencies, credit bureau and movable asset registry.

The Fund 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 PFIs based in the rural areas to promote financial inclusion.

In addition, special consideration shall be given to PFIs that have signed Memorandum of Understanding (MoU) with the Central Bank of Nigeria's Entrepreneurship Development Centers (EDCs) to provide access to credit to their graduate trainees.

### **1.5.2 Selection Criteria**

- a) PFIs shall submit request to the Fund in a format prescribed by the CBN.
- b) Applications shall be processed on receipt of complete documentation.
- c) The CBN shall communicate the terms and conditions for the approved Grant within one month of submission.

### **1.6 Management and Administration of the Fund**

The Fund shall have a Steering Committee chaired by the Governor, Central Bank of Nigeria. Other members shall include:

1. Deputy Governor, Financial Systems Stability, CBN and  
Representatives of:
2. Federal Ministry of Finance Incorporated (MoFI)
3. Federal Ministry of Agriculture and Rural Development (FMA&RD)
4. Nigeria Deposit Insurance Corporation (NDIC)
5. National Association of Microfinance Banks (NAMB)
6. Association of Non-Bank Microfinance Institutions of Nigeria (ANMFIN)
7. Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)
8. Banker's Committee
9. Ministry of Women Affairs and Social Development (MWA&SD)
10. Director, Development Finance Department of CBN

11. Head, MSME Development Fund Office, Development Finance Department, CBN  
(Secretary)

The CBN shall continue to manage the Fund until a Managing Agent is appointed.

### **1.7 Eligible Enterprises**

In line with the provisions of the Revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria, enterprises to be funded under the Scheme shall be:

- a) Micro Enterprises
- b) Small and Medium Enterprises (SMEs)

The following are eligible activities under the Fund:

#### Microenterprises

- Agricultural value chain
- Cottage Industries
- Artisans
- Services
- Renewable energy/energy efficient product and technologies
- Trade and general commerce
- Other economic activities as may be prescribed by the CBN

#### Note:

- Only 10% of the Commercial component of the Fund shall be channeled to trade and general commerce.
- Nigerian Agricultural Insurance Corporation (NAIC) Insurance is compulsory for primary agricultural production

#### Small & Medium Enterprises (SMEs)

- Manufacturing
- Agricultural value chain activities
- Services

Renewable energy, energy efficient product and Technologies

- Other economic activities as may be prescribed by the CBN

Note: (i) Refinancing under this programme is strictly prohibited.

(ii) All activities under the programme shall be in compliance with the principles underpinning the operations of Non-Interest Financial Institutions (NIFIs).

### **1.8 Special Economic Programmes**

Special schemes or programmes on economic empowerment and grassroots development shall be eligible to access the Fund through PFIs.

## **CHAPTER TWO**

### **2.0 ELIGIBILITY AND TERMS FOR PARTICIPATION**

The PFIs that can participate under the fund shall include all Microfinance Banks including Non-Interest Microfinance banks, Non-Governmental Organizations-Microfinance Institutions (NGO-MFIs), Financial Cooperatives Finance Companies, Development Finance Institutions and Deposit Money Banks including Non-Interest Deposit Money Banks. The Bank of Industry (BoI) and Deposit Money Banks (DMBs) shall participate only under the SMEs window.

#### **2.1 Non-Interest Microfinance Banks & Finance Companies**

For a non-interest microfinance bank or finance company to be eligible for wholesale funding, it shall submit the following documents with its application:

- a) Latest CBN or NDIC Examination Report
- b) Current Audited or Management Accounts
- c) Certificate of Incorporation or Registration
- d) Board Resolution or Trustee consent to access the Fund
- e) Membership of Apex Association
- f) Any other requirement stipulated by the CBN.

## **2.2 Microfinance Institutions (NGO-MFIs and Financial Cooperatives)**

- a) Registration with Corporate Affairs Commission (CAC) or Relevant Ministries, Departments and Agencies (MDAs) of States/FCT.
- b) Board Resolution or Trustee consent to access the Fund
- c) Corporate, Trustee and Management profile
- d) Financial asset of the institution or the third-party guarantor
- e) Twelve (12) months Statement of Account
- f) Current Audited Account or Management Account
- g) Membership of the Apex Association
- h) Any other requirement as stipulated by the CBN from time to time.

## **2.3 Other Requirements for Participation by PFIs (Excluding DMBs & DFIs)**

All applications shall be accompanied with the following documents:

- a) Completed Application Form
- b) List of prospective beneficiaries (showing the financing amount, purpose of the financing, contact addresses, telephone numbers and gender)
- c) Evidence of submission of names of beneficiaries to licensed Credit Bureaux for credit check
- d) Letter authorizing CBN to debit PFIs account with correspondent bank for the recovery of principal and any other associated payments in case of default.

## **2.4 Non-Interest Financial Institutions**

For a NIFI to be eligible to access the Fund, it shall satisfy the following conditions:

- a) Sign an MOU with the CBN.
- b) Report of due diligence on the project
- c) Undertake to bear all the credit risks of the financings.



## 2.5 PFI Limit per Cycle

The maximum financing amount per cycle to a NIFI shall be as indicated in the table below or 50% of its Shareholder's Fund unimpaired by losses whichever is higher.

### a) PFIs

S/No	NIFI	Facility Limit
1	Unit Microfinance Bank	N10 million
2	State Microfinance Bank	N50 million
3	National Microfinance Bank	N500 million
4	Finance Companies	N10 Million

### b) Beneficiaries

The structure and limits of financings to beneficiaries of PFIs are as shown in the table below:

Enterprise	%	Maximum Financing Limit (N)
Micro	50	500,000
SMEs (financed by NIMFBs)	50	5,000,000
SMEs (financed by NIFIs)		50,000,000

## 2.6 Financing Tenor

The facility shall have a maximum tenor of one (1) year for micro enterprises. Financing tenor for SMEs shall be from one (1) to five (5) years with the option of moratorium as may be deemed necessary. PFIs shall re-access the fund upon full repayment of the outstanding.

## 2.7 Financing Repayment

Principal and Profit repayment for micro and SME financings shall be annually.

## **2.8 Rates of Return**

All PFIs shall access funds at a targeted rate of 2% per annum based on a restricted Mudarabah contract between the CBN as fund provider and the PFI as manager. The restricted Mudarabah shall be based on a business plan to be submitted by the PFI to the CBN confirming the PFI's commitment to achieve the 2% targeted rate of return.

The PFI shall on-finance to beneficiaries at 9% per annum inclusive of all charges using non-interest financing contracts approved by the CBN for NIFIs.

The rate of return chargeable under the MSMEDF may be reviewed by the Central Bank of Nigeria from time to time.

## **2.9 (a) Acceptable Collateral from PFIs (excluding NIFIs)**

Collateral requirement under the Fund shall be a minimum of 30% of the financing amount requested.

Any of the following collateral shall be accepted as security for financings to PFIs:

- (i) Non-Interest Financial Assets including CBN Safe Custody Account (CSCA), CBN Non-Interest Note (CNIN) and CBN Asset-Backed Securities (CBN-ABS) and Sukuk given regulatory treatment by the CBN.
- (ii) Third Party Guarantee backed by financial assets.

However, collateral shall be waived for Non-Interest Microfinance Banks with PAR of 10% and below as indicated in their latest CBN/NDIC Examination Report.

## **2.9 (b) Collateral Requirement for NIFIs**

Signed MoU with CBN and undertake to bear all credit risks for projects presented.

## **2.10 Start-ups**

PFIs are required to fund start-up projects under the MSMEDF. To encourage NIFIs, some incentives shall apply (see Section 3.0).

PFIs are expected to accept charge on fixed and floating assets of the financed projects as collateral for start-ups.

Collateral requirement from start-ups by PFIs (NIFIs) shall be educational certificates such as SSCE, National Diploma (ND), National Certificate of Education (NCE), National Business and Technical Examination Board (NABTEB), Higher National Diploma (HND), University degree (NYSC Certificate where applicable) and a guarantor.

The start-ups to access the MSMEDF must present their Bank Verification Number (BVN).

## **2.11 Monitoring and Evaluation (M&E)**

A Monitoring & Evaluation (M&E) framework has been put in place to track the MSMEDF operations. The M&E framework includes the following:

- a) On-site verification and routine monitoring of projects under the Fund by the CBN and PFIs during the financing period;
- b) Off-site ICT-based reporting system to provide up-to-date information on the Fund's activities;
- c) Make available reports of the monitoring exercise to the concerned PFIs;
- d) Leverage on the capacities and information in monitoring and evaluation of relevant Apex Associations; and
- e) Periodic evaluation of the activities of all PFIs to ensure achievement of the objectives of the Fund.

## **2.12 Discontinuation of the Facility**

Where the facility is discontinued for any reasons, all undisbursed funds, repaid funds or discontinued facilities shall be reported and repatriated to the CBN within 5 working days.

## **CHAPTER THREE**

### **3.0 INCENTIVES**

Incentive shall be offered to PFIs that repay financings as and when due.

#### **a) Start-Ups**

(i) NIFIs playing in this space, shall access MSMEDF facility at rate of return of 0% for on-financing at 9% (all-inclusive) to start-ups.

(ii) The PFIs shall qualify for a 50% risk shared on the net outstanding balance in the case of default.

#### **b) Other Incentives**

Non-Interest Microfinance Banks with PAR of 10% and below shall be exempted from providing financial assets as collateral to access facility under the MSMEDF.

### **3.1 INFRACTIONS AND SANCTIONS**

#### **3.1.1 Sanctions for NIFIs**

The following sanctions shall apply to NIFIs that contravene the Guidelines under the Fund:

a) Established cases of collusion with other PFIs to either divert monies into private accounts or unduly with-hold any part or outright conversion of the purpose of the released funds by NIFIs under the MSMEDF shall attract a penalty at MPR+300 basis points at the time of infraction. The CBN shall recover the diverted fund by debiting the

NIFIs' account. In addition, such NIFIs shall be barred from further participation under the Fund.

b) Non-rendition of returns for three consecutive quarters or rendition of false returns, shall attract the penalty stipulated by BOFIA Section 60.

c) Charging of upfront rates of return under the Fund is not allowed.

d) Charging of rates of return higher than prescribed shall attract the penalty stipulated by BOFIA section 60.

e) Any NIFI that fails to disburse the fund within 10 working days of receipt to the beneficiary shall be charged a penalty at MPR+300 basis points for the period the fund was not disbursed.

f) Any other breach of the Guidelines as may be specified from time to time.

g) Notwithstanding the agreement between the NIFI and the project promoter, the CBN has the right to reject an application from any PFI that did not conform to requirements of the Guidelines.

### 3.1.2 Sanctions for Other PFIs

No	INFRACTIONS	SANCTIONS
1	Diversion of funds to unauthorized activities	<input type="checkbox"/> Amount diverted shall be recovered by the CBN <input type="checkbox"/> Penal charge of the MPR+300 basis points on the amount diverted <input type="checkbox"/> Outright ban from participating under the Fund
2	Non rendition of returns	<input type="checkbox"/> Fine of 2.5% of the financing amount <input type="checkbox"/> Issuance of warning letter to the Management of the PFI <input type="checkbox"/> Failure to render returns for three consecutive months shall lead to recall of the outstanding financing amount and 1 year suspension from the Fund.

3	False returns	<input type="checkbox"/> False returns shall attract a recall of the financing and two (2) years suspension from the Fund.
4	Non-compliance with 60% exposure of the financing amount to women entrepreneurs	<input type="checkbox"/> Issuance of warning letter to Management <input type="checkbox"/> Suspension of financing to other clients until the recommended ratio is complied with <input type="checkbox"/> Exclusion from the incentives under the Fund.
5	Charging of upfront fees/profits or rates of return higher than the prescribed.	<input type="checkbox"/> Reversal of excess profit charged <input type="checkbox"/> Penal charge of the MPR+200 basis on the over charge <input type="checkbox"/> Issuance of warning letter to Management
6	Failure to disburse approved funds within 10 working days to the beneficiaries	Penal charge of MPR + 300 basis points for NIFIs and maximum financing rate for other PFIs for the period the funds were not disbursed.
	Failure of Venture Capital Firm (VCF) to inject equity in the enterprise	<input type="checkbox"/> The fund shall be called up while the VCF will be blacklisted.

## CHAPTER FOUR

### 4.0 ROLES AND RESPONSIBILITIES OF STAKEHOLDERS

#### 4.1 Central Bank of Nigeria

- a) Provide the Seed Fund
- b) Act as Managing Agent (pending the appointment of one).
- c) Chair the Steering Committee

- d) Issue the MSMEDF Guidelines
- e) Set the facility limits and collateral requirements under the Fund
- f) Specify the rate at which PFIs on-finance under the Fund
- g) Provide regulatory and supervisory oversight
- h) Determine sanctions under the Fund
- i) Sanction PFIs in case of infractions
- j) Review the Guidelines of the Fund as may be necessary
- k) Monitor, Evaluate and Conduct impact assessment of the programme
- l) Invoke ISPO/ Bank Guarantee in case of default.

#### **4.2 The Managing Agent (MA)**

- a) Appraise applications from PFIs
- b) Release funds to qualified PFIs
- c) Verify/monitor projects
- d) Receive periodic returns from PFIs
- e) Ensure compliance with the Funds' Guideline and publish periodic report on its performance
- f) Make periodic report to relevant stakeholders
- g) Retrieve funds from PFIs at the expiration of the financing tenor or infractions on the Guidelines.
- h) Build capacity of stakeholders

#### **4.3 Non-Interest Deposit Money Banks (NIDMBs) and Development Finance Institutions (NIDFIs)**

- a) Serve as PFIs for State Governments to channel funds to SME beneficiaries under the MSMEDF.
- b) Act as correspondent banks to other PFIs
- c) Participate under the SME window (NIFIs only)

- d) Access the fund for on-financing to eligible SMEs
- e) Bear the credit risk of facilities accessed for on-financing under the Fund
- f) Ensure due diligence is followed in the administration of credit facilities
- g) Monitor and ensure proper utilization of the funds
- h) Advance financing under the Fund at the specified rate
- i) Submit to the CBN, Letter of offer by the bank and full details of the projects to be financed, disbursement schedule, repayment schedule, the Credit Risk Management System (CRMS) report of the beneficiary
- j) Render monthly returns under the Scheme to the Managing Agent and CBN in the prescribed reporting format.

#### **4.4 Non-Interest Microfinance Banks and Non-Interest Finance Companies**

- a) Grant financing facilities to MSMEs
- b) Approve financing requests based on normal business consideration.
- c) Open dedicated account with their correspondent banks for this window and forward details of the account to the CBN
- d) Issue a letter authorizing the CBN to debit its account with the correspondent bank for recovery of outstanding principal and any other associated payments.
- e) Disburse released funds to eligible beneficiaries within ten (10) working days
- f) Ensure that 60 per cent of the accessed fund is disbursed to women entrepreneurs.
- g) Put in place appropriate institutional arrangements for facility disbursement, monitoring and recovery.
- h) Obtain credit information on beneficiaries from the Credit Bureaux
- i) Report all disbursed financings to at least two (2) Credit Bureaux
- j) Render periodic returns on all financings granted under the Fund
- k) Any other responsibility that may be required by the CBN



#### **4.5 Federal Government (FG)**

- a) Contribute to the Fund
- b) Support the Fund to achieve its objectives
- c) Serve on the Steering Committee

#### **4.6 Development Partners**

- a) Contribute to the Fund
- b) Provide technical assistance for the Fund's activities
- c) Promote and support the development of the MSME sub-sector

#### **4.7 Apex Associations**

- a) Register their members
- b) Provide information on their members to the Managing Agent/CBN periodically or as may be required.

#### **4.8 Beneficiary**

- a) Utilize the funds for the purpose for which it was granted.
- b) Adhere strictly to the terms and conditions of the Fund.
- c) Make the project and records available for inspection by the CBN and PFIs.
- d) Repay the facility as and when due.

### **CHAPTER FIVE**

#### **STATE GOVERNMENTS' AND FEDERAL CAPITAL TERRITORY (FCT) PARTICIPATION UNDER THE FUND**

##### **5.0 Background**

In recognition of State Governments/Federal Capital Territory (FCT) strategic role in grassroots economic development, the Fund considers them as a major partner in the

development of the MSME sub-sector. They are allowed to participate through the nominated PFIs approved by the CBN in their respective jurisdictions.

## **5.1 Requirements**

To participate in the Fund, a State Government/FCT shall satisfy the following conditions:

- a) Provide Resolution of the State House of Assembly authorizing the State to access the Fund.
- b) Establish a Micro Credit/MSME Special Purpose Vehicle (SPV) which shall coordinate the applications and activities of the PFIs under the Fund and also monitor disbursement and recovery of all financings.
- c) Provide a Bank Guarantee/Irrevocable Standing Payment Order (ISPO) equivalent to the amount requested including profit.
- d) Sign a Memorandum of Understanding (MoU) with the CBN.
- e) Make repayment to the CBN as and when due.
- f) Submit to the CBN, the States' empowerment programme for the utilization of the fund to be accessed.

## **5.2 Capacity Building**

The State Government/FCT shall build capacity of beneficiaries through State-owned Skills Acquisition/Vocational Centres, CBN Entrepreneurship Development Centres (EDCs) or any such relevant agencies while the CBN shall do same for the PFIs.

## **5.3 Utilization of Fund**

- a) Limit per State Government / FCT shall access a maximum of N2.0 billion.
- b) The facility tenor shall have a maximum tenor of one (1) year for micro enterprises and up to five (5) years for SMEs.
- c) The Rate of Return shall be a targeted rate of 2% per annum based on a restricted Mudarabah contract between the CBN as fund provider and the nominated PFI as

manager. The restricted Mudarabah shall be based on a business plan to be submitted by the PFI to the CBN confirming the PFI's commitment to achieve the 2% targeted rate of return.

The PFI shall on-finance to beneficiaries at 9% per annum inclusive of all charges using non-interest financing contracts approved by the CBN for NIFIs.

#### **5.4 Participating Financial Institutions (PFIs)**

The State Government/FCT shall participate in the Fund through any of these PFIs (government or privately owned) across the State:

- a) Non-Interest Microfinance Banks (NIMFBs)
- b) Non-Governmental Organization – Microfinance Institutions (NGO-MFIs)
- c) Accredited Financial Cooperatives
- d) Finance Companies, including Non-Interest Finance Companies
- e) Non-Interest Deposit Money Banks (NIDMBs)

#### **5.5 State-Special Purpose Vehicle (S-SPV)**

An entity established or nominated by a State Government for the sole purpose of coordinating the activities of the PFIs that shall access funds under the MSMEDF. A PFI is therefore not eligible to function as an S-SPV under the Fund.

#### **5.6 Mode of Application**

- a) The beneficiaries shall apply to the nominated PFIs for financing.
- b) The PFIs shall appraise the applications for economic and financial viability.
- c) The PFIs shall forward their applications through the State SPV to the CBN in the prescribed format.
- d) CBN shall undertake a pre-disbursement assessment of financing request presented to it by the SPVs on behalf of the nominated PFIs.

e) CBN shall approve and disburse funds directly to the PFIs' correspondent bank accounts.

## **5.7 Roles and Responsibilities of Stakeholders:**

### **5.7.1 Central Bank of Nigeria**

- a) Articulate clear guidelines for the implementation of the Fund.
- b) Provide funds for the programme.
- c) Open a Repayment/Sinking Fund Account for the ISPO proceeds and the profit from the State Governments/FCT
- d) Build capacity of PFIs
- e) Release approved fund to the PFIs through their correspondent banks and advise them accordingly.
- f) Notify the State Government/FCT through the State-SPV of all disbursements made to the PFIs
- g) Monitor the implementation of the Fund and prepare periodic reports
- h) Receive returns from PFIs as may be specified
- i) Ensure compliance of all parties to the Guidelines.

### **5.7.2 State Government/FCT**

- a) Provide the Resolution of State House of Assembly. In the case of FCT, the Executive Council Resolution shall be required.
- b) Establish a Micro Credit/MSME Special Purpose Vehicle (SPV) for the purpose of coordinating applications by PFIs for the Fund. The PFIs shall be responsible for the administration (disbursement to the beneficiary and recovery) of the Fund.
- c) Provide a bank guarantee or Irrevocable Standing Payment Order (ISPO) signed by the State Governor, Commissioner for Finance and State Accountant General, for the financing amount plus profit and comply with terms and conditions of the MoU. In the case of FCT, the Honourable Minister and Director of Finance of FCT shall sign.
- d) Access the Fund on behalf of their nominated PFIs

- e) Submit acceptable empowerment programme for the utilization of the fund.
- f) Build capacity of beneficiaries through State-owned Skills Acquisition/ Vocational Centres, CBN Entrepreneurship Development Centres (EDCs) or any such relevant agencies.
- g) Establish a State Technical Committee which shall include relevant MDAs and the Development Finance Officers (DFOs) of the CBN Branch as members.

### **5.7.3 State Special Purpose Vehicle (S-SPV)**

- a) Collate applications by approved PFIs and forward to the CBN
- b) Carry out quarterly monitoring of the PFIs under the Fund
- c) Render quarterly report on performance of the financings to the State Government and CBN.
- d) Build capacity of MSMEs

### **5.7.4 Participating Financial Institution (PFIs)**

- a) Advance financings to MSMEs
- b) Disburse funds to beneficiaries within ten (10) working days of receipt.
- c) Monitor funds utilization by beneficiaries
- d) Ensure repayment by beneficiaries
- e) Open dedicated account with their correspondent banks and forward details to the CBN
- f) Repay principal and profits on the approved facility to the CBN as and when due
- g) Render periodic returns to CBN and State SPV
- h) Not be eligible to function as SPVs for State Governments under the Fund.

### **5.7.5 Non-Interest Banks (NIFIs)**

- a) Open a dedicated account for the nominated PFIs by the State.
- b) Release funds to the PFIs within 48 hours of receipt.
- c) Remit repayments by PFIs to CBN within 5 working days.

### **5.7.6 Beneficiaries**

- a) Utilize the funds for the purpose for which it is granted and repay same as and when due
- b) Make the project records available for verification and inspection by the PFIs and CBN;
- c) Adhere strictly to the terms and conditions of financing
- d) Satisfy all the requirements specified by the PFI and
- e) Insure all primary agricultural production activities with takaful operators or NAIC where applicable

### **5.8 Monitoring & Evaluation (M & E) Framework**

- a) The projects shall be subject to on-site verification and monitoring by the CBN in conjunction with the PFIs/SPVs during the financing period.
- b) There shall be off-site monitoring through quarterly reports submitted by the PFIs to State SPVs and the CBN.
- c) Reports of the monitoring exercise by the Managing Agent/CBN shall be made available to the PFIs and State Governments.
- d) The State SPVs and CBN can leverage the services of the Apex Associations in the monitoring and evaluation exercises.
- e) CBN shall periodically evaluate the activities of the State SPVs and PFIs to ensure compliance with the Fund Guidelines.

### **5.9 Infractions**

PFIs and State Governments/FCT may be suspended or black listed from participating under the Fund for any infractions etc.

### **6.0 Amendments**

The provisions of this Guideline may be reviewed from time to time as deemed necessary. All Enquiries and Returns should be addressed to:

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

**June 2020**



## **NON-INTEREST GUIDELINES FOR NON-OIL EXPORT STIMULATION FACILITY (ESF)**

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### **1.0 Introduction**

The Non-Oil Export Stimulation Facility (NESF) was introduced by the Central Bank of Nigeria (CBN) to diversify the revenue base of the economy and to expedite the growth and development of the non-oil export sector. The Facility will help redress the declining export financing and reposition the sector to increase its contribution to economic development.

### **2.0 Objectives of the Facility**

The objectives of the Facility are to:

- (i) Improve access of exporters to concessionary finance to expand and diversify the non-oil export baskets;
- (ii) Attract new investments and encourage re-investments in value-added non-oil exports production and non-traditional exports;
- (iii) Shore up non-oil export sector productivity and create more jobs;
- (iv) Support export-oriented companies to upscale and expand their export operations as well as capabilities; and
- (v) Broaden the scope of export financing instruments.

### **3.0 Eligibility Criteria**

#### **3.1 Eligible /Beneficiaries**

Export-oriented enterprise that fulfils the under-listed conditions shall be eligible to participate under the NESF:

- 3.1.1 Duly incorporated in Nigeria under the Companies and Allied Matters Act (CAMA).

3.1.2 Has verifiable export off-take contract(s).

3.1.3 Satisfactory credit reports from at least two Credit Bureaux in line with the provisions of CBN Circular BSD/DIR/GEN/CIR/04/014 dated April 30, 2010.

All applications shall be in compliance with CBN circulars BSD/DIR/GEN/LAB/07/015 and BSD/DIR/GENLAB/07/034 on “**Prohibition of Loan Defaulters from Further Access to Credit Facilities in the Nigerian banking System**” and “**Guidelines for Processing Requests from DMBs to Extend New/Additional Credit Facilities to Loan Defaulters and AMCON Obligors**” dated June 30, 2014 and October 10, 2014, respectively.

### **3.2 Eligible Transactions**

Eligible transactions that shall qualify for funding under the NESF shall include:

- (i) Export of goods processed or manufactured in Nigeria;
- (ii) Export of commodities and services, which are allowed under the laws of Nigeria and do not violate the principles of non-interest banking and finance;
- (iii) Imports of plant & machinery, spare parts and packaging materials, required for export-oriented production that cannot be sourced locally;
- (iv) Resuscitation, expansion, modernization and technology upgrade of non-oil export industries;
- (v) Export value chain support services such as transportation, warehousing and quality assurance infrastructure;
- (vi) Working capital/stocking facility; and
- (vii) Structured trade finance arrangements.

### **4.0 Participating Financial Institutions (PFIs)**

The following shall be eligible to participate under the Facility:

- (i) Non-Interest Banks (NIBs).
- (ii) Non-Interest Development Finance Institutions (NI-DFIs).



## **5.0 Features of the NESF**

### **5.1 Financing Limit**

Term financings under the Facility shall not exceed 70% of verifiable total cost of the project subject to a maximum of ₦5,000,000,000.00.

### **5.2 Tenor**

The NESF shall have a tenor of up to 10 years and shall not exceed the 31st December, 2027.

- a) Working capital/stocking facility shall be for one year. Where applicable, the facility can be rolled-over twice on a reducing balance basis of 33.3% of the original amount.

### **5.3 Repayment**

Repayments of principal and return shall be quarterly and in accordance with the agreed repayment schedule.

### **5.4 Moratorium**

- a) Moratorium shall be project specific and shall not exceed two (2) years.
- b) In case of construction, additional moratorium of up to one (1) year may be allowed, subject to approval by the CBN.

### **5.5 Rates of Return**

The Facility shall be granted at an all-inclusive rate of return of 9% per annum.

### **5.6 Modalities of the Facility**

The facility shall be structured as a two-tiered structure:

- a. Tier 1: Between the CBN and the NIFI: A Restricted Profit-Sharing Agreement (Restricted Mudarabah) shall be executed between the CBN and NIFI. The CBN as Capital Provider disburses the funds for investment by the NIFI as the

Implementing Party, based on a Business Plan Commitment to be signed by the NIFI committing itself to the following terms:

- a. Investment shall only be for financing of projects under the activities covered under the facility;
  - b. The financing shall have an overall target profit rate of 9.0 per cent.
  - c. The profit distribution ratio between the CBN as Capital Provider and the NIFI as the Implementing Party shall be in the ratio of 2:7.
  - d. The NIFI commits itself to achieving a target profit rate of 2% accruing to the CBN.
  - e. In the event where the NIFI realises that the targeted 2% due to the CBN is not achievable, the arrangement is to be extended and re-structured subject to a maximum tenor not exceeding 31<sup>st</sup> December 2027, in case there is no negligence on the part of the investor. Otherwise, the Mudarabah is to be stopped, and the funds recalled.
  - f. If after realisation as mentioned in (e) above, the NIFI does not stop the arrangement and return the funds, the NIFI shall be liable for negligence and breach of investment mandate, and shall refund the capital.
  - g. In a situation where there is unavoidable loss, the CBN as the capital provider shall, pursuant to the principle of profit and loss sharing, bear the loss, and the NIFI shall forfeit its profit share.
- b. Tier 2: Between the NIFI and the Investor: The NIFI finances the Customer (Investor) using CBN approved non-interest financial contracts appropriate with the type of financing requested, like Murabahah, Salam, Istisna', Ijarah, Wakalah etc.

## **6.0 Application Procedures**

### **6.1. Submission of Requests**

A PFI shall submit application to CBN on behalf of its customer in the prescribed format.

In the case of financing syndication, the lead bank shall submit application on behalf of other banks. All correspondence with respect to the application shall be with the lead bank.

## **6.2 Documentation Requirement**

Each request for a facility is to be accompanied by the following documents:

- a) Written request from the project promoter to a PFI seeking financing under the NESF.
- b) Completed application form.
- c) Certified true copies of documents on business incorporation.
- d) Three (3) years tax clearance certificate.
- e) Audited statement of accounts for the last three (3) years (where applicable) or the most recent management account for companies less than three (3) years in operations.
- f) Feasibility study/ business plan of the project.
- g) Relevant permits/ licenses/ approvals (where applicable).
- h) Verifiable export orders/ contracts or other export agreement and arrangements/ commitments.
- i) Environmental Impact Assessment (EIA) report (where applicable).
- j) Draft letter of offer by PFI, financing repayment schedule and credit risk report of the customer.
- k) Any other document(s) that may be required by CBN.

## **6.3 Collateral Requirement**

Eligible securities shall include the following:

- a. Federal Government of Nigeria Sukuk (where available);
- b. CBN Non-Interest Liquidity Management Instruments (i.e. CBN Safe Custody Account (CSCA), CBN Non-Interest Note (CNIN) and CBN Asset-Backed Securities (CABS));
- c. Sukuk backed by the guarantee of the Federal Government;
- d. Sukuk given regulatory treatment by the CBN;

- e. Any other securities that are Shariah-compliant and acceptable to the CBN.

#### **6.4 Participation Agreement**

A participation agreement shall be signed between CBN and each PFI.

#### **7.0 Monitoring and Evaluation (M & E)**

Monitoring and Evaluation of projects funded under the Facility shall include on-site and off-site verification and routine monitoring of projects by CBN and PFIs.

#### **8.0 Roles and Responsibilities of Stakeholders**

The roles and responsibilities of stakeholders under the scheme shall be as follows:

##### **8.1 The Central Bank of Nigeria (CBN)**

The CBN shall:

- a) Provide fund for the implementation of the scheme.
- b) Issue the NESF guidelines.
- c) Act as the managing agent.
- d) Determine financing limits and applicable rates.
- e) Provide regulatory and supervisory oversight.
- f) Sanction PFIs for infractions.
- g) Monitor and evaluate the projects.
- h) Conduct impact assessment from time to time.
- i) Review the NESF guidelines as may be deemed necessary from time to time.
- j) Invoke collateral in case of default.

##### **8.2 The Participating Financial Institutions (PFIs)**

The PFIs shall:

- a) Disburse funds to eligible export companies at the approved rates.
- b) Ensure timely disbursement of funds to approved projects.
- c) Ensure due diligence is followed in the administration of financing facilities.

- d) Bear the credit risk on financings granted to beneficiaries under the NESF.
- e) Ensure timely remittance of principal and return payments due to the CBN.
- f) Monitor and ensure proper utilization of funds.
- g) Comply with the operating guidelines of the Facility.
- h) Comply with documentation requirements in section 6.2 above; and
- i) Render periodic returns in prescribed formats or as may be specified by CBN from time to time.

### **8.3 Beneficiary**

The beneficiary shall:

- a) Utilize the funds for the purpose for which it was granted.
- b) Adhere strictly to the terms and conditions of the financing and comply with all relevant laws and regulations.
- c) Make the project site(s) and records accessible to CBN and PFIs for inspection.
- d) Provide periodic reports on the status of the project in prescribed format as well as periodic financial statements in line with extant company registration regulations.
- e) Comply with the operating guidelines of the Facility; and
- f) Pay maturing financing obligations in line with approved payment schedule.

### **9.0 Discontinuation of the Facility**

All undisbursed funds, repaid amounts or discontinued facility shall be reported and funds returned to CBN within 5 working days giving details of the facility and reasons for discontinuation.

### **10.0 Infractions and Sanctions**

#### **10.1 Penalty for defaults**

- a) In the event of default in repayment of principal and/ or return by the beneficiary, the PFI shall have the right to charge a penalty at a rate determined by its Advisory

Committee of Experts, which shall be treated in line with extant CBN Regulations for NIFIs regarding penalties.

- b) Failure of PFI to disburse funds to the beneficiary within the period agreed in the financing agreement shall attract a penal charge of the maximum financing rate of the PFI for the period that funds were not disbursed;
- c) Failure to remit principal and return to the CBN shall attract a penal charge of the maximum financing rate of the PFI for the period that funds were not remitted; and
- d) Non-rendition of returns or the rendition of false returns shall attract the penalty stipulated by section 60 of the Banks and Other Financial Institutions Act (BOFIA).

### **11.0 Amendments**

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN. The Amendment would not have retroactive effect.

#### **All enquiries and returns should be addressed to:**

The Director,  
Development Finance Department,  
Central Bank of Nigeria,  
Corporate Headquarters,  
Central Business District,  
Abuja, Nigeria.  
Tel.: +234-9-46238644.

**June 2020**



## **Anchor Borrowers' Programme Guidelines**

### **(Non-Interest)**

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## **CHAPTER ONE**

### **1.1. BACKGROUND**

The Central Bank of Nigeria (CBN) in line with its developmental function established the Anchor Borrowers' Programme (ABP). The Programme which was launched by President Muhammadu Buhari (GCFR) on November 17, 2015 is intended to create a linkage between anchor companies involved in the processing and small holder farmers (SHFs) of the required key agricultural commodities. The programme thrust of the ABP is provision of farm inputs in kind and cash (for farm labour) to small holder farmers to boost production of these commodities, stabilize inputs supply to agro processors and address the country's negative balance of payments on food. At harvest, the SHF supplies his/her produce to the Agro-processor (Anchor) who pays the cash equivalent to the farmer's account.

The Programme evolved from the consultations with stakeholders comprising Federal Ministry of Agriculture & Rural Development, State Governors, millers of agricultural produce, and smallholder farmers to boost agricultural production and non-oil exports in the face of unpredictable crude oil prices and its resultant effect on the revenue profile of Nigeria.

### **1.2. Objective**

The broad objective of the ABP is to create economic linkage between smallholder farmers and reputable large-scale processors with a view to increasing agricultural output and significantly improving capacity utilization of processors. Other objectives include:

- Increase banks' financing to the agricultural sector
- Reduce agricultural commodity importation and conserve external reserves
- Increase capacity utilization of agricultural firms
- Create new generation of farmers/entrepreneurs and employment
- Deepen the cashless policy and financial inclusion

- Reduce the level of poverty among smallholder farmers
- Assist rural smallholder farmers to grow from subsistence to commercial production levels.

### 1.3. Targeted Beneficiaries

The financing shall be targeted at smallholder farmers engaged in the production of identified commodities across the country. The Farmers should be in groups/cooperative(s) of between 5 and 20 for ease of administration.

### 1.4. Identified Agricultural Commodities

The targeted commodities of comparative advantage to the State shall include but not limited to:

- Cereals (Rice, Maize, wheat etc.)
- Cotton
- Roots and Tubers (Cassava, Potatoes, Yam, Ginger etc.)
- Sugarcane
- Tree crops (Oil palm, Cocoa, Rubber etc.)
- Legumes (Soybean, Sesame seed, Cowpea etc.)
- Tomato
- Livestock (Fish, Poultry, Ruminants etc.)

Any other agricultural commodity as requested by off-taker and approved based on viability by the CBN from time to time.

### 1.5. Eligible Participating Financial Institutions (PFIs)

The financing shall be disbursed through any of these Non-Interest Financial Institutions (NIFIs):

- Non-Interest Deposit Money Banks
- Non-Interest Windows of Deposit Money Banks;
- Development Finance Institutions (DFIs) through a non- interest window;
- Non-Interest Microfinance Banks (NIMFBs).

### 1.6. The Anchor

This shall be private large-scale integrated processors, aggregators, commodity associations etc who have entered into an agreement with the SHFs to off-take the harvested produce at the agreed prices or as may be reviewed by the PMT. State Governments may act as Anchor upon meeting the prescribed conditions.



### 1.7. **Inputs Suppliers**

The input suppliers shall submit **expression of interest letter** to the office of the PMT for consideration and issuance of local purchase orders by the Anchor which shall be ratified by the PFI.

### 1.8. **The Facility Amount**

Financing amount for each SHF shall be arrived upon from the economics of production agreed with stakeholders. The fund shall be provided from the Micro, Small and Medium Enterprises Development Fund (MSMEDF).

### 1.9. **Rate of Return**

Rate of return under the ABP shall be guided by the rate on the MSMEDF, which is currently at 9% p.a (all inclusive, pre and post disbursement). The PFIs shall access based on a structure compliant with non-interest banking principles at 2% from the CBN, and finance at a maximum of 9% p.a (all inclusive).

### 1.10. **Tenor**

The tenor of financing under the ABP shall be the gestation period of the identified commodities or as agreed with stakeholders not exceeding 60 months.

### 1.11. **Settlement**

Financing granted to the SHFs shall be settled with the harvested produce that shall be mandatorily delivered to the Anchor at designated collection center in line with the provisions of the Agreement signed. The value of the produce to be delivered must cover the financing principal and return.

## CHAPTER TWO

### 2.0 Management and Administration of the ABP

There shall be two models of administration of ABP based on the anchor arrangement namely: **Private Sector-led** and **State windows**. Under each model, a Project Management Team (PMT) shall be established to coordinate the implementation of the programme.

#### 2.1 Private Sector-led Window

The PMT under the Private Sector-led Window shall be constituted as follows:

- Head DFO, CBN – Chairman
- Representatives of Anchor Firms – Co-Chairman
- Programme Manager, State Agricultural Development Programme (ADP)
- Representatives of participating Banks
- Representatives of farmers associations
- Nigerian Agricultural Insurance Corporation (NAIC)

##### 2.1.1 Operating Models under the Private Sector Window

The following models are operated under the private-sector window

- 1) Prime Anchor Model
- 2) Private Sector Model
- 3) NIRSAL Guarantee Model

The models vary operationally in the roles and responsibilities of the stakeholders as follows:

##### 2.1.2 STAKEHOLDERS OPERATIONAL ROLES AND RESPONSIBILITIES

###### -PRIME ANCHOR MODEL

###### - CBN:

- a. Ratifies the Economics of Production (EoP)
- b. Validate farmers' list for participation
- c. Carries out monitoring of project to ensure compliance
- d. Bears 50% credit risk on outstanding amount in default

###### - PFI:

- a. Processes financing request based on number of farmers/Hectares validated and the ratified EoP.
- b. PFI Management approves financing to Anchor as primary obligor
- c. Receives collateral from Anchor to cover 70% of total financing amount
- d. Ratifies the supply of input as requested by the Anchor
- e. Manages the project through its life cycle
- f. Bears 50% credit risk on outstanding amount in default

- **Anchor:**
  - a. Provides list of farmers for participation in the project
  - b. Provides collateral cover to the Bank for financing amount requested
  - c. Primarily responsible for supply of quality inputs and Services through LPO issuance
  - d. Manages the project through its life cycle

#### **-PRIVATE SECTOR MODEL**

- **CBN:**
  - a. Ratifies the Economics of Production (EoP)
  - b. Validate farmers' list for participation
  - c. Carries out monitoring of project to ensure compliance
  - d. Bears 50% credit risk on outstanding amount in default

- **PFI:**
  - a. Processes facility request based on number of farmers/Hectares validated and ratified EoP.
  - b. PFI Management approves financing to farmers as primary obligor
  - c. Receives collateral from Anchor/Aggregator/Commodity Association to cover 20% of total financing amount
  - d. Ratifies the supply of input as agreed by the PMT and requested by the Anchor
  - e. Manages the project through its life cycle
  - f. Bears 50% credit risk on outstanding amount in default

- **Anchor:**
  - a. Provides list of farmers for participation in the project
  - b. Provides collateral cover to the Bank for financing amount requested
  - c. Issues LPO for input supply and service provided as agreed by PMT
  - d. Manages the project through its life cycle

#### **-NIRSAL GUARANTEE MODEL**

This model involves the collaboration with NIRSAL and deployment of its Credit Risk Guarantee (CRG) Instrument to participating PFIs. It is expected that the CRG will effectively reduce the risks of the PFIs further and enhance more participation under the Programme.

Under this model,

- NIRSAL will provide a maximum guarantee of 75% of the financing to the PFI at cost of 1% CRG fee.

- CBN shall bears 50% credit risk on outstanding amount in default

NIRSAL's participation will include both the Private sector led and the State Government Windows of the ABP in addition to the requirements under each window.

## 2.2 Public Sector (State) Window

The PMT under the State Window shall be constituted with representatives of stakeholders as follows:

- Head DFO, CBN as Chairman to be co-chaired by the person appointed by the State Government.
- A representative of State Governments/Ministry of Agriculture and Rural Development/Agricultural Development Programme (ADP)
- Participating Banks
- Anchor Firms
- Nigerian Agricultural Insurance Corporation (NAIC)
- Representatives of farmers associations

Under the window, the roles and responsibilities of stakeholders shall include;

- **CBN:**

- a. Ratifies the Economics of Production (EoP)
- b. Validate farmers' list for participation
- c. Carries out monitoring of project to ensure compliance

- **STATE GOVERNMENT:**

- a. Provides ISPO to the PFI to cover 100% of Principal and return to be applied for equal monthly repayments through the facility tenor
- b. Provide list of farmers to the PFI for BVN validation and farmland mapping by appointed service providers
- c. Recover funds from the farmers

- **PFI:**

- a. Processes financing request based on number of farmers, Hectares and ratified EoP.
- b. PFI Management approves financing to State Government as primary obligor
- c. Receives ISPO from State for 100% principal plus return
- d. Effects monthly repayment to the CBN
- e. Manages the project through its life cycle

## 2.3 Process Flow of The Anchor Borrowers' Programme (ABP)

The activities shall include:

1. Expression of Interest Letter to the CBN by the Anchor/State Government indicating the targeted agricultural commodities,

proposed number of farmers, the hectares to be covered and the PFI(s) etc.

2. Formation of the PMT
3. Verification of the farmers and farm sizes by the PMT
4. Confirmation of participation by the Head Offices of the PFI(s)
5. Identification of reputable agricultural inputs suppliers by the PMT
6. Organization of Town Hall Meeting to agree on the economics of production per hectare, offtake price, signing of Agreement, and any other relevant issues. The meeting shall have in attendance all the stakeholders including the inputs suppliers.
7. Signing of Multipartite Agreement by the CBN, PFI, Anchor and the farmers under the following:
  - i. A Master Agreement between the CBN and the PFI, which shall include the following:
    - a. Individual Salam agreements that will be effected at the point of disbursement of funds to the PFI for a total amount of agricultural produce that will sell at 1.02% per annum of the total disbursed amount, based on the unit selling price agreed between the Anchor and the farmers. The time of delivery of the Salam produce and sale of same to the Anchor is at harvest time.
    - b. An undertaking by the PFI to sell the Salam produce to the Anchor at the agreed unit price and credit the amount to the CBN.
    - c. All collaterals and guarantees as specified in the section on collaterals.
  - ii. Master Agreement between the PFI and the farmers consisting of individual Salam Agreements that will be effected at the point of disbursement to the farmers by the PFI for a total amount of agricultural produce that will sell at 1.09% per annum of the total disbursed amount, based on the unit selling price agreed between the Anchor and the farmers.
  - iii. Irrevocable Undertaking by the Anchor to purchase the agricultural produce from the PFI and the farmers as and when due.
  - iv. Irrevocable Undertaking by the farmers to sell the agricultural produce to the Anchor.
  - v. Sale Agreement between the PFI and the Anchor for the procured

produce at the agreed selling price. From the delivery of the produce at the collection center by the farmers to the signing of the sale agreement, the produce is at the risk of the PFI.

- vi. Sale Agreement between the Anchor and the farmer for the remaining amount of his agricultural produce at the agreed selling price and payment into the farmer's account with the PFI.
- vii. Submission of applications from Head Offices of PFIs with the list of farmers in the prescribed format with accounts numbers, gender, farm size, BVN, Telephone numbers, cooperative name and LGA
- viii. Registration of farmers on the National Collateral Registry (NCR).

#### **2.4 Capacity Building of the Farmers**

A mandatory training programme shall apply for farmers that will participate under the ABP covering;

- Farming as a business
- Improved agricultural practices
- Group management dynamics

The cost of such training shall be borne by the participating anchor. However, partnerships with Development Partners are encouraged on the training of the farmers.

Certificates issued at the end of the training shall constitute a requirement for farmers to access the facility in kind and cash under the programme.

#### **2.5 Provision of Extension Services**

The Anchor/State Governments shall be required to provide extension services to complement the training, ensure adherence to good agricultural practices and mitigate side selling.

#### **2.6 Collateral Under the ABP**

The following shall be collateral to be pledged by SHFs under the programme:

- Cross and several guarantee by farmers in cooperatives
- Multipartite Agreement signed by the parties
- Cross and several guarantee by farmers in cooperatives registered on the National Collateral Registry (NCR)
- Commitment deposit by each farmer of a minimum of 5% to secure his commitment to sell the produce to the Anchor as per the terms of the MoU.

**Note:**

- Participating farmers under the Programme must deposit the minimum commitment deposit in their accounts with the PFI before disbursement of the facility
- No input would be distributed to any farmer that has not provided the commitment deposit.
- Any PFI that contravenes this basic risk requirement would be sanctioned. The Prime Anchor provides collateral to the PFI covering 70% of the financing amount to guarantee his undertaking under the MoU.

The Private Sector Anchor provides collateral to the PFI covering 20% of the financing amount to guarantee his undertaking under the MoU.

The Public Sector Anchor provides an ISPO covering 100% of the financing amount to guarantee its undertaking under the MoU.

## **2.7 Determination of Planting Season**

The planting season to be adopted shall be advised by the Ministry of Agriculture/ State Agricultural Development Programme (ADP) from the state planting calendars and reputable Agricultural Research Institutes.

## **2.8 Side Selling**

Side-Selling by the farmers is prohibited and shall attract applicable sanctions as indicated in Section 4.3

## **2.9 Risk Sharing**

In order to engender participation of PFIs in the programme, the CBN shall absorb 50% of the amount in default after satisfactory evidence that every means of settlement have been exhausted by the PFI. The PFI shall bear the credit risk of the balance.

## **CHAPTER THREE**

### **3.0 ROLES AND RESPONSIBILITIES OF STAKEHOLDERS**

#### **3.1 Central Bank of Nigeria**

Shall:

- i. Provide the funds through the MSMEDF
- ii. Coordinate the entire Programme
- iii. Serve as Secretariat
- iv. Chair/Co-chair the PMT
- v. Review the provisions of the guidelines as deemed necessary

#### **3.2 Nigerian Agricultural Insurance Corporation (NAIC)**

Shall:

- i. Provide insurance cover to the projects under the Programme in line with the non-interest banking principle
- ii. Ensure timely processing and settlement of claims
- iii. Serve as member of the PMT

#### **3.3 Development Partners**

Shall:

- i. Provide technical assistance to farmers, extension workers and banks
- ii. May serve as member of the PMT in partner States

#### **3.4 Participating Financing Institutions:**

Shall:

- i. Verify eligible farmers and their farmlands
- ii. Open account for the farmers
- iii. Ensure due diligence on facility administration, monitoring and recovery
- iv. Conduct searches on the National Collateral Registry (NCR) to ensure that none of the group member is in default of any other facility in any financial institution.
- v. First applications for release of funds by PFIs MUST be accompanied by copies of executed multipartite Agreements. (See 2.3)
- vi. Obtain written authorization from the farmers to purchase seeds from input suppliers from their accounts on their behalf.



- v. Register their interest in the collateral on the National Collateral Registry (NCR) as second and any subsequent applications for release of funds by PFIs MUST be accompanied by evidence of COMPLETE registrations.
- vi. Sensitize the group members on the implication of the cross-guarantee as default by one member of the cooperative automatically puts all members in default irrespective of other members paying their individual financings.
- viii. Ratify the issuance of the Local Purchase Order by the Anchor
- ix. Apply for release of funds after completion of all the required conditions precedent to drawdown Credit individual farmer's account with the released funds within 5 working days
- x. Ensure that the financing products used under the non-interest ABP window complies with the CBN Guidelines on Regulation and Supervision of non-interest banking.
- xi. Render monthly returns under the Scheme to the CBN in the prescribed reporting format Serve as member of PMT
- x. Carry out any other responsibilities as may be prescribed by the CBN from time to time

### **3.5 Small Holder Farmers**

Shall:

- i. Organize themselves into groups/cooperatives
- ii. Cross guarantee one another
- iii. Must demonstrate evidence of farm ownership/lease/rent and agree to work with extension workers
- iv. Utilize the facility (kind and cash) for the purpose for which it was granted
- v. Commit to abide by the terms of agreement and not to side sell produce
- vi. Settle the facility as and when due by surrendering the output to the PFI and Anchor or State
- vii. Provide commitment deposit of a minimum of 5% to secure his commitment to sell the produce to the Anchor as per the terms of the MoU.
- viii. Representative of the Small Holder Farmer association to serve on the PMT
- ix. Ensure participating member opens bank account and obtain Bank

Verification Number (BVN).

### **3.6 State Government/FCT**

Shall:

- i. Co-Chair the public sector ABP PMT
- ii. Submit Expression of Interest to participate under the ABP
- iii. Identification of the two-targeted agricultural commodities
- iv. Provide extension services to all participating farmers
- v. Provide logistics support for the success of the programme including training for the farmers and extension services.
- vi. Establish a special 'farmers court' to try defaulting parties
- vii. Train identified farmers for participation under ABP
- viii. Where State act as Anchor, must uptake the farmers produce and pay the farmers through the PFI within 5 days at an agreed price
- ix. Carry out any other responsibilities as may be prescribed by the CBN from time to time

### **3.7 Anchor Company**

Shall:

- i. Co-Chair the PMT of the private sector ABP
- ii. Identify and organize farmers into groups/co-operatives.
- iii. Participate in the identification of input suppliers
- iv. Train identified farmers for participation under ABP
- v. Provide extension service experts to support and ensure achievement of the targeted yield
- vi. Monitor harvest and facilitate full evacuation of produce
- vii. Establish produce collection centers which must be within close proximity to farming localities for ease of aggregation.
- viii. Buy-up produce from PFIs and farmers at agreed price
- ix. Pay into farmers' facility account for the produce delivered within 48 hours
- x. Provide guarantee as stipulated in the guidelines
- xi. Carry out any other responsibilities as may be prescribed by the CBN from time to time

### 3.8 ROLE OF PROJECT MANAGEMENT TEAM (PMT)

Shall:

- i. Coordinate project implementation
- ii. Coordinate discussions on cost of production per hectare
- iii. Communicate the decisions taken on the project to stakeholders
- iv. Identify genuine input suppliers who must have capacity to supply required inputs within time frame allocated
- v. Coordinate and monitor project to ensure settlement
- vi. Ensure timely distribution of inputs
- vii. Escalate issues that cannot be resolved in the team to the relevant authorities
- viii. Make sure the programme is delivered and implemented as scheduled and within scope.

### 3.9 Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)

Shall:

- i. Collaborate on Technical Assistance.
- ii. Shall provide CRG for projects that meet pre-conditions
- iii. Carry out any other responsibilities as may be required by the CBN from time to time under the programme

## CHAPTER FOUR

### 4.0 INFRACTIONS AND SANCTIONS

S/N	Infractions	Sanctions
<b>4.1</b>	<b>PFI</b>	
1	Diversion of funds to unauthorized activities	<ul style="list-style-type: none"><li>● Amount diverted shall be recovered by the CBN.</li><li>● Penal charge at the maximum Murabahah/Ijarah rate of the PFI on the amount diverted.</li><li>● Outright ban from participating under other CBN Interventions following another infraction</li></ul>

2	Charging of un-authorized fees/rates	<ul style="list-style-type: none"> <li>• Reversal of the charged fees/rates</li> <li>• Issuance of warning letter to the PFI</li> <li>• Outright ban from participating under other CBN Interventions after two infractions</li> </ul>
3	Charging of rates higher than prescribed	<ul style="list-style-type: none"> <li>• Reversal of excess rates charged.</li> <li>• Penal charge at the maximum Murabahah/Ijarah rate of the PFI</li> <li>• Issuance of warning letter to the PFI</li> </ul>
4	Failure to disburse funds within specified period to the beneficiaries	<ul style="list-style-type: none"> <li>• Penal charge at the maximum Murabahah/Ijarah rate of the PFI</li> <li>• Recovery of the undisbursed amount plus any returns.</li> </ul>
<b>4.2 Anchor</b>		
1	Failure to collect certified quality output from farmers after going into agreement as the Anchor to the farmers	<ul style="list-style-type: none"> <li>• Anchor will cease to participate under the programme.</li> <li>• Anchor will not be allowed to access agricultural and other CBN interventions</li> <li>• PFI will sell output to a third party at the prevailing market price and make up the difference, if any, from the guarantee of the Anchor. Any surplus from the sales shall go the SHF.</li> </ul>
2	Failure to pay for collected commodities within the specified period	<ul style="list-style-type: none"> <li>• Anchor to pay selling price and mark-up based on the Murabahah/Ijarah rate of the PFI from the due date, and the mark-up shall be channeled to charity by the PFI and not form part of its income.</li> </ul>
<b>4.3 Small Holder Farmers (SHF)</b>		
1	Side-selling	<ul style="list-style-type: none"> <li>• Total prohibition from all CBN interventions.</li> <li>• Blacklisting of the SHF on any intervention by the CBN</li> <li>• Prosecution of the SHF</li> <li>• Settlement of the facility by the guarantors and cooperatives</li> </ul>

2	Input Diversion	<ul style="list-style-type: none"> <li>• Blacklisting of the SHF on any intervention by the CBN</li> <li>• Settlement of the facility by the guarantors and cooperative members</li> </ul>
3	Refusal to Submit Commodities to the Anchor	<ul style="list-style-type: none"> <li>• Blacklisting of the SHF on any intervention by the CBN</li> <li>• Prosecution of the SHF</li> <li>• Settlement of the facility by the guarantors and cooperative members</li> </ul>
4	Diversion of Funds	<ul style="list-style-type: none"> <li>• Blacklisting of the SHF on any intervention by the CBN</li> <li>• Prosecution of the SHF</li> <li>• Settlement of the facility by the guarantors and cooperative members</li> </ul>
<b>4.4 Project Monitoring Team</b>		
1	Insider related contracts and inflation of contract figures	<ul style="list-style-type: none"> <li>• Suspension/Prosecution of the culpable member(s)</li> <li>• Report the culpable member(s) to the relevant institution(s)</li> </ul>

## **LIST OF ABBREVIATIONS AND ACRONYMS**

ABP:	Anchor Borrowers' Programme
ADP:	Agricultural Development Programme
BVN:	Bank Verification Number
CBN:	Central Bank of Nigeria
DFIs:	Development Finance Institutions
DFO:	Development Finance Officer
DMBs:	Deposit Money Banks
FCT:	Federal Capital Territory
LGA:	Local Government Area
MFBs:	Microfinance Banks
MSMEDF:	Micro, Small and Medium Enterprises Development Fund
NAIC:	Nigerian Agricultural Insurance Corporation
NCR:	National Collateral Registry
NIFI:	Non-Interest Financial Institution
NIRSAL:	Nigerian Incentive-Based Risk Sharing System for Agricultural Lending
P.A:	Per Annum
PFIs:	Participating Financial Institutions
PMT:	Project Management Team
SHF:	Small Holder Farmer

**All Enquiries and Returns should be addressed to:**

**The Director,  
Development Finance Department,  
Central Bank of Nigeria,  
Corporate Headquarters  
Central Business District,  
Abuja, Nigeria  
Fax: 09-46238655  
[www.cbn.gov.ng](http://www.cbn.gov.ng)**

**June 2020**



**CENTRAL BANK OF NIGERIA**  
**NON-INTEREST GUIDELINES FOR REAL SECTOR SUPPORT FACILITY (RSSF)**  
**REVISED GUIDELINES (V3)**

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## **1. Introduction**

The Central Bank of Nigeria, as part of efforts to stimulate output growth, enhance value addition and engender productivity in the economy established the Real Sector Support Facility (RSSF). The Facility will be channeled towards increasing credit to priority sectors of the economy with sufficient employment capabilities, high growth potentials, increase accretion to foreign reserves, expand the industrial base and consequently diversify the economy. The RSSF will be used to support start-ups and expansion financing needs of enterprises.

## **2. Objectives of the Fund**

The objectives of the Facility include:

- i. Improve access to finance by the agricultural value chain, manufacturing, mining, solid minerals activities and other strategic sub-sectors of the Nigerian economy.
- ii. Increase output, create jobs, diversify the economy, increase accretion to foreign reserves and provide inputs for the industrial sector on a sustainable basis.

## **3. Activities Covered under the Facility**

The activities to be covered under the Facility are:

- (a) Manufacturing SMEs
- (b) Agricultural Value Chain
- (c) Services
- (d) new and expansion projects in the real sector.
- (e) Priority will be given to projects with high local content, import substitution, foreign exchange earnings and huge potentials for job creation.
- (f) Trading activities shall not be accommodated under this Facility.

## **4. Type of Facilities**

- i. Term Financing for the Acquisition of Plant and Machinery
- ii. Working capital Financing

## 5. Financing Tenor

- i. Term financing facilities shall have a maximum tenor of 10 years (*not exceeding 31<sup>st</sup> December, 2025*) depending on the complexity of the project. Each project tenor shall be determined in relation to its cash flow and life of the underlying collateral.
- ii. Working capital facility of 1 year with a maximum roll over of 1 year subject to approval. The roll over shall not attract interest charges, but could attract returns based on Shariah-compliant re-financing arrangements.
- iii. The Facility allows for moratorium of 1 year in the facility repayment schedule.

## 6. Modalities of the Facility

- i. The Non-Interest Scheme shall be in the form of financing of projects/working capital under the Activities Covered under the Facility.
- ii. The Scheme shall be structured as a two-tiered structure:
  - a. Tier 1: Between the CBN and the NIFI: A Restricted Profit-Sharing Agreement (Restricted Mudaraba) shall be executed between the CBN and NIFI. The CBN as Capital Provider disburses the funds for investment by the NIFI as the Implementing Party, based on a Business Plan Commitment to be signed by the NIFI committing itself to the following terms:
    - a. Investment shall only be for financing of projects under the activities covered under the facility;
    - b. The financing shall have an overall target profit rate of 9.0 per cent.
    - c. The profit distribution ratio between the CBN as Capital Provider and the NIFI as the Implementing Party shall be in the ratio of 3:6.
    - d. The NIFI commits itself to achieving a target profit rate of 3% accruing to the CBN.
    - e. In the event where the NIFI realises that the targeted 3% due to the CBN is not achievable, the arrangement is to be extended and re-structured subject to a maximum tenor not exceeding 31<sup>st</sup> December 2025, in case there is no negligence on the part of the investor. Otherwise, the Mudarabah is to be stopped, and the funds recalled.
    - f. If after realisation as mentioned in (e) above, the NIFI does not stop the arrangement and return the funds, the NIFI shall be liable for negligence and breach of investment mandate, and shall refund the capital.
    - g. In a situation where there is unavoidable loss, the CBN as the capital provider shall, pursuant to the principle of profit and loss sharing, bear the loss, and the NIFI shall forfeit its profit share.



- b. Tier 2: Between the NIFI and the Investor: The NIFI finances the Customer (Investor) using CBN approved non-interest financial contracts appropriate with the type of financing requested, like Murabahah, Salam, Istisna', Ijarah, Wakalah etc.

## **7. Acceptable Collaterals**

The NIFI shall deposit securities to the CBN equivalent to 120% of the facility amount. This is to secure it against misconduct, negligence or breach of terms or stipulations of the Mudarabah and Business Plan Commitment by the NIFI. Eligible securities shall include the following:

- a. Federal Government of Nigeria Sukuk (where available);
- b. CBN Non-Interest Liquidity Management Instruments (i.e. CBN Safe Custody Account (CSCA), CBN Non-Interest Note (CNIN) and CBN Asset-Backed Securities (CABS));
- c. Sukuk backed by the guarantee of the Federal Government;
- d. Sukuk given regulatory treatment by the CBN
- e. Any other securities that are Shariah-compliant and acceptable to the CBN.

## **8. Repayment**

Repayments under this facility shall be amortized and quarterly principal repayments shall be to *RSSF repayment account in CBN*.

### **8.1 Default rate on repayment by Beneficiaries**

*The bank shall not charge more than MPR+2 as penalty on defaulted amount on quarterly payment by customers. The charging of penalty shall be subject to the decision of the bank's Advisory Committee of Experts (ACE) The penalty amount shall be channeled to charity and shall not form part of the bank's income.*

### **8.2 Default in Payment by Banks**

**8.2.1** *The CBN shall charge MPR+2 as penalty on the bank for defaulted amount on quarterly repayment.*

**8.2.2** *Defaulted quarterly repayment crystalizes after one week due.*

## **9. Eligibility Criteria for Participation in the Facility**

### **9.1 Participating Financial Institutions (PFIs)**

*All Non-Interest Deposit Money Banks will be eligible as PFIs under this facility.*

### **9.2 Beneficiary**

*A beneficiary shall be an entity registered in Nigeria under the Companies and Allied Matters Act of 1990 to be eligible to borrow from the Facility.*

## **10. Mechanism for the Facility**

- i. Participating banks shall receive; process; approve; and forward requests for the facility from their customers to the CBN.
- ii. Each request must be accompanied with the following documents:
  - a. Business plan which should state expressly, the financing plan, economic benefits, environmental impact assessment report, etc.
  - b. Audited Accounts (3 years) for existing company.
  - c. Statement of Affairs for startups and companies with less than 3 years of existence.
  - d. Copies of duly executed offer documents between the bank and the facility applicants.
  - e. Certificate of Incorporation
  - f. Brief on directors
  - g. At least two (2) Credit Report of the company and directors
  - h. Proposed schedule of fund disbursement.
  - i. Business Plan Commitment from the participating bank as mentioned under 6 (ii)(a).
- iii. Within 5 working days of the receipt of the banks' requests, Central Bank of Nigeria shall inform the banks of the status of their request.
- iv. Upon disbursement of the Fund by CBN, the participating bank shall within 5 working days disburse the approved limit according to the proposed disbursement schedule.

## **11. Verification/Monitoring of Projects**

- i. Projects under the Facility shall be subject to verification by the CBN. Acceptance or rejection of an application for the facility shall be communicated to the PFIs and the beneficiary within 5 working days after verification.
- ii. Central Bank of Nigeria reserves the right to reject an application from any lending bank that does not meet the requirements of the Guidelines.
- iii. The Project shall be monitored, and impact evaluation conducted by the CBN periodically.

## **12. Management of the Facility**

The Development Finance Department of the Central Bank of Nigeria shall be responsible for the management of the Facility.

## **13. Responsibilities of Stakeholders:**

For the effective implementation of the Facility, the responsibilities of the stakeholders shall include:

### **13.1 Central Bank of Nigeria**

The Central Bank of Nigeria shall:

- i. Articulate clear Guidelines for the implementation of the Facility
- ii. Determine the limits.
- iii. Carry out verification and monitor projects financed.
- iv. Conduct impact evaluation.
- v. Generate periodic reports on its performance.
- vi. Sensitize stakeholders
- vii. Review the Guidelines as may be necessary from time to time

### **13.2 Non-Interest Deposit Money Banks (DMBs)**

The DMBs shall:

- i. Appraise and approve requests under the Facility based on normal business consideration and due diligence.
- ii. Forward such approved requests to CBN for verification and final approval.
- iii. Consider the grant of facility ONLY to real sector projects at a rate of return of 9% per annum all inclusive.
- iv. Monitor the Projects during the facility period.
- v. Render periodic returns as may be specified by the CBN from time to time
- vi. Comply with the Guidelines of the Facility

### **13.3 Beneficiary**

The beneficiary shall:

- i. Adhere strictly to the terms and conditions of the Facility.
- ii. Utilize the funds for the purpose for which it was granted.
- iii. Make the Project and records available for inspection/verification by the CBN.
- iv. Comply with the Guidelines.

### **14. Discontinuation of a Facility**

Whenever a facility is repaid or is otherwise discontinued, the participating bank shall return the fund to the RSSF repayment account in CBN within 3 working days, providing details of the facility.

### **15. Infractions**

The following among others shall constitute infractions under the Guidelines:

- i. Facility diversion
- ii. Delay in disbursement to beneficiaries
- iii. Delay in remittance of quarterly repayments.

- (a) *For item (i) above, any established case of facility diversion, the bank must within 48 hours return the fund to CBN and the penalty shall be a minimum of Monetary Policy Rate (MPR) plus 2 per cent of the amount or as may be determined from time to time by the CBN.*
- (b) *On item (ii) above, the penalty shall be Monetary Policy Rate (MPR) plus 2 percent of the amount.*
- (c) *In the case of quarterly repayment default by the beneficiary, the participating bank shall be liable to pay back the amount due within two (2) weeks, failing which the CBN shall debit the participating bank.*
- iv. *Non-compliance with Section 8.1 of the Guidelines is tantamount to infraction and will attract a penalty of MPR+2.*

## **15. Amendments**

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

## **16. 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.  
Telephone No: 234-09-46238600

**June 2020**



## **NON-INTEREST GUIDELINES FOR REAL SECTOR SUPPORT FACILITY (RSSF) THROUGH CRR**

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### **1.0 Introduction**

At its 119th Meeting held on 23rd and 24th July, 2018, the Monetary Policy Committee (MPC) of Central Bank of Nigeria emphasized the need to increase the flow of credit to the real sector of the economy in order to consolidate and sustain economic recovery. To achieve this objective Deposit Money Banks (DMBs) would henceforth be incentivized to direct affordable, long-term bank credit to the manufacturing, agriculture, as well other sectors considered by the CBN as employment and growth stimulating. The CBN will therefore lay more emphasis on projects targeted not only at backward integration but also at those that will enhance Nigeria's Import Substitution Strategy.

#### **1.1 Differentiated Cash Reserves Requirement (DCRR) Regime**

Under this programme, DMBs interested in providing Credit Financing to greenfield (new) and brownfield (new/expansion) projects in the real sector (Agriculture and Manufacturing) may request for the release of funds from their CRR to finance the projects subject to DMBs providing verifiable evidence that the funds shall be directed at the projects approved by the CBN.

### **2.0 Objectives of the Facility**

The objectives of the Facility are to:

- 2.1** Improve access to affordable finance to the manufacturing, agricultural, and other related sectors that are employment and growth stimulating to the economy.
- 2.2** Stimulate growth in employment-elastic sectors.

### **3.0 Activities to be Covered**

- 3.1** The activities to be covered under this program shall be Greenfield (new) and expansion (brownfield) projects in manufacturing, agriculture, and other related sectors approved by the CBN and not violating the principles of non-interest

banking and finance. Emphasis will however be placed on Greenfield (new) projects.

**3.2** Priority shall be accorded projects with high local content, import substitution, foreign exchange earnings and potential for job creation.

**3.3** Trading activities are PROHIBITED under the Facility and any attempt by a Non-Interest Financial Institution (NIFI) to falsify through presentation of projects that do not meet the eligibility criteria/specified terms and conditions shall attract severe penalties from the CBN.

**3.4** Financings shall be based on CBN approved non-interest financial contracts appropriate with the type of financing requested, like Murabahah, Salam, Istisna', Ijarah, Wakalah etc.

#### **4.0 Types of Facilities**

##### **4.1 Differentiated CRR (DCRR)**

This shall comprise financings to Greenfield or expansion projects using CRR. Emphasis shall however be on new projects.

**4.1.1** Tenor: Minimum of seven years.

**4.1.2** Moratorium: Two years moratorium.

**4.1.3** The participating financial institution (PFI) shall bear the credit risk.

**4.1.4** Refinancing of existing facilities is PROHIBITED for funding under this program and any attempt to falsify information shall attract severe sanctions from the CBN.

#### **5.0 Modalities of the Facility**

##### **5.1 Maximum Amount**

The maximum facility shall be ₦10 billion per project.

## **5.2 Rate of Return**

Facilities are to be administered at an all-in rate of return of 9 per cent per annum. Bank Customers are encouraged to report any bank to the CBN's Director of Banking Supervision, Where such DMB may have charged rates above the prescribed maximum of 9 per cent per annum.

## **5.3 Repayment**

Repayments shall be amortized and remitted on quarterly basis to the CBN.

## **6.0 Eligibility Criteria for Participation in the Facility/CB**

### **6.1 Participating Financial Institutions (PFIs)**

- a) Only CRR contributing DMBs shall be eligible to participate under the DCRR.

## **7.0 Responsibilities of Stakeholders**

For effective implementation of the Facility, the responsibilities of the stakeholders shall include:

### **7.1 Central Bank of Nigeria**

- i. Articulate and review guidelines for the implementation of the Facility.
- ii. Determine the limits of DCRR investments.
- iii. Appraise, monitor and evaluate projects and the Facility.
- iv. Render periodic reports on performance.
- v. The CBN shall disburse funds to projects through NIFIs in agreed TRANCHES.

### **7.2 Participating Financial Institution (PFI)**

- i. Undertake due diligence based on normal business consideration.
- ii. Forward an initial financing request on the proposed project to the CBN for pre-funding assessment/ approval in- principle to proceed.
- iii. Forward final approved requests to CBN for funding after meeting all Conditions precedent to disbursement of the facility.

- iv. Disburse funds to obligors through their NIFIs in agreed TRANCHES based on disbursement schedules submitted by NIFIs to the CBN within five working days of release from the CBN.
- v. Render periodic returns as specified by the CBN from time to time.
- vi. Monitor the projects.
- vii. Comply with the guidelines of the Facility.

### **7.3 Beneficiary**

- i. Adhere strictly to the terms and conditions of the Facility.
- ii. Utilize the funds for the purpose for which it was granted.
- iii. Make the project and records available for inspection/ verification by the CBN.
- iv. Comply with the guidelines

### **8.0 Discontinuation of a Financing Facility**

Where a facility is repaid or otherwise discontinued, the PFI shall advise the CBN immediately, giving particulars of the facility. Any outstanding amount under the facility is to be refunded to the CBN.

### **9.0 Amendments**

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

### **10.0 Enquiries and Returns**

The Director,  
Development Finance Department,  
Central Bank of Nigeria,  
Corporate Headquarters  
Central Business District,  
Abuja, Nigeria  
Fax: +234-09-46238600

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

**June 2020**





## CENTRAL BANK OF NIGERIA

# NON-INTEREST GUIDELINES FOR THE OPERATIONS OF THE CREDIT SUPPORT FOR THE HEALTHCARE SECTOR

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### 1. Introduction

Demand for healthcare in Nigeria currently outstrips supply, presenting a wide range of opportunities for foreign investment and expertise. The domestic healthcare sector is estimated to be worth US\$5 billion per annum. Equally, Nigerians spend over US\$1 billion on medical tourism each year, as many Nigerian patients travel abroad for treatments ranging from diagnostics to surgeries. The high rates of healthcare tourism in the country are not due to lack of local physicians, as close to 3,000 doctors are trained in Nigeria every year. However, over 63% of trained doctors end up practicing medicine abroad. Beyond this, the annual budgetary allocation to the sector remains low, as government health spending was about 0.6% as a share of GDP or just US\$11 per capita. This trend has left a gap in the domestic healthcare sector, suggesting potential for a wide range of opportunities.

Nigeria's pharmaceutical market is worth US\$2bn but only eight out of over 130 companies are listed on the Nigeria Stock Exchange. Potential, therefore, exists for further investment by private investors to spur growth in the sector to expand to service the regional market. Diagnostic services also hold massive untapped potential. The diagnostic services industry has seen healthy growth of close to 10% in recent years. Our resolve is to explore innovation and deepen the sector through the provision of long-term, low cost financing and the encouragement of shared services to reduce the cost of healthcare delivery in the country.

The recent corona virus (COVID-19) pandemic has brought to fore, the need for increasing investment, both private and public, in the healthcare sector in Nigeria. More importantly, as the aftermath effect of the pandemic has had severe

implications for the sector – increasing demand for domestic medical services and accessories and perked up demand for locally produced pharmaceutical products. In realization of this, the Central Bank of Nigeria hereby introduce the Credit Support Scheme for the Healthcare Industry to expand financing opportunities to practitioners and manufacturers in the industry, particularly pharmaceutical companies and healthcare practitioners.

This Guidelines outlines the operational modalities for the Non-Interest version of the Scheme.

## **2. Objectives of the Scheme**

The broad objectives of the Scheme include:

- 2.1 Reduce health tourism in Nigeria, thereby conserving foreign exchange;
- 2.2 Provide long-term, low cost finance for healthcare infrastructure development that would lead to the evolvement of world-class healthcare facilities in the country;
- 2.3 Improve access to affordable financing facility by indigenous pharmaceutical companies to expand their operations and comply with the WHO Good Manufacturing Practices (WHO GMP);
- 2.4 Support the provision of shared services through one-stop healthcare solution to enhance competition and reduce the cost of healthcare delivery in the country.

## **3. Eligible Participants**

- i. Drug Manufacturing Companies
- ii. Medical Equipment Manufacturers
- iii. Hospitals/Clinics
- iv. Other Healthcare Service Providers – Diagnostic Centres, Medical Laboratories, Fitness and Wellness Centres, etc

#### **4. Activities Covered**

Eligible activities under the Scheme include:

- i. Medical Drugs manufacturing
- ii. Medical equipment manufacturing
- iii. Establishment/Expansion of Specialized Hospitals/Clinics
- iv. Establishment/Expansion of Medical Diagnostic Centres, as well as Wellness and Fitness Centres
- v. Pharmaceutical Supplies
- vi. Any other healthcare value chain activity as may be prescribed by the CBN that is Shari'ah compliant.

#### **5. Funding**

The Scheme shall be financed from the Real Sector Support Facility (RSSF).

#### **6. Participating Financial Institutions**

6.1 The eligible financial institutions shall be Non-Interest Deposit Money Banks (NIBs); and

6.2 Non-Interest Development Finance Institutions (NI-Dis).

#### **7. Financing Limit**

7.1 Working Capital: 20% of the average of 3 years of the company's turnover subject to a maximum of ~~N~~500 million per obligor (where the enterprise is not up to 3 years in operation, 20% of the previous year turnover will suffice).

7.2 Term Financing: Maximum of ~~N~~2 billion per obligor.

#### **8. Rate of Return**

Rate of return under the intervention shall be at not more than 5% p.a. (all inclusive) up to 28<sup>th</sup> February, 2021.

Return on the financing as from 1<sup>st</sup> March, 2021 shall be not more than 9% p.

Working capital facility shall be for 1 year with a maximum roll over of 1 year subject to approval. The roll over shall not attract interest charges but could attract returns based on Shariah-compliant re-financing arrangements.

The Facility allows for moratorium of 1 year in the facility repayment schedule.

The sharing formula of the return between CBN and the PFI shall be as per the terms of the RSSF Scheme.

## **9. Financing Tenor**

9.1 Working capital shall be for a maximum period of one year.

9.2 Term financing shall have a maximum tenor of not more than 10 years with at least one-year moratorium. However, in case of construction, the tenor should be determined by the completion date.

## **10. Collateral Requirement**

The collateral to be pledged by beneficiaries under the programme shall be as may be required under RSSF.

## **11. Principal Repayment**

Repayment shall be made on installment basis by the beneficiaries to the Participating Financial Institutions (PFIs) according to the nature of enterprise.

The PFI shall remit repayments received to the Fund on quarterly basis.

## **12. Modalities**

- i. A corporate entity shall submit application to a PFI of its choice with bankable business plan.
- ii. PFI shall appraise and conduct due diligence applications.
- iii. Once approved by the PFI's Credit Committee, the application should be submitted to CBN attaching the relevant documents.
- iv. CBN will process and disburse funds to the PFI for onward release to the project. The disbursement of the funds by CBN to the PFI shall be based

on a Restricted Mudarabah Contract between the CBN and the PFI as in the RSSF Scheme.

- v. The PFI shall release funds to the project based on CBN approved contracts for NIFIs that can accommodate variable returns only.

### **13. Monitoring and Reporting**

Periodic joint monitoring of activities financed under the Scheme will be conducted by the PFI and CBN.

### **14. Responsibilities of Stakeholders**

#### **14.1. CBN shall:**

- i. Provide the seed fund for the Scheme
- ii. Release funds to PFIs for disbursement to successful applicants.
- iii. Review the Guidelines of the Facility as may be necessary
- iv. Receive and process periodic returns from PFIs.
- v. Monitor and evaluate implementation of the Scheme.

#### **14.2. The PFIs shall:**

- i. Confirm receive and review applicants submitted by the customers;
- ii. Conduct due diligence on all applications;
- iii. Issue offer letters and forward qualified applications to CBN;
- iv. Disburse the released funds to successful applicants;
- v. Monitor the project and recover the financing amounts from the beneficiaries
- vi. Maintain adequate records of all beneficiaries and facilities;
- vii. Forward periodic returns on the prescribed format on the Scheme to CBN;
- viii. Comply with the Guidelines; and
- ix. Carry out any other duties as the CBN may prescribe from time to time.

### **17. Infractions**

Delay and non-release of funds to beneficiaries within the timelines agreed on the

Offer Letter shall attract penalty at the PFI's maximum financing rate.

**18. Exit Date**

The exit date of this Intervention is 31<sup>st</sup> December, 2030.

**19. Amendments**

This framework shall be subject to review from time to time as may be deemed necessary by the CBN.

**20. Enquiries and Returns**

All enquiries and returns should be addressed to:

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

**June 2020**



## CENTRAL BANK OF NIGERIA

### MODALITIES FOR THE IMPLEMENTATION OF THE CREATIVE INDUSTRY

#### FINANCING INITIATIVE (NON-INTEREST)

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#### 1. Introduction

The Central Bank Nigeria (CBN), in collaboration with the Bankers' Committee, as part of efforts to boost job creation in Nigeria, particularly among the youth, recently introduced the Creative Industry Financing Initiative (CIFI) with a view to improving access to long-term low-cost financing by entrepreneurs and investors in the Nigerian creative and information technology (IT) sub-sectors.

In furtherance to the above, the CBN hereby issues modalities and transaction dynamics for the seamless implementation of the initiative.

#### 2. Objectives of CIFI

The objectives of the Initiative are:

- i. Improve access to low-cost and sustainable financing by entrepreneurs and investors in the Nigerian creative and information technology (IT) sub-sectors;
- ii. Boost job creation, particularly among the youth;
- iii. Harness the entrepreneurial potentials of youth within the Nigerian creative and information technology (IT) sub-sectors for economic development; and
- iv. Complement other development finance initiatives of the CBN to accelerate financial inclusion.

### 3. Activities covered under CIFI

Eligible activities under the initiative are:

- i. Existing enterprises in the creative industry;
- ii. Start-ups engaged in the creative industry; and
- iii. Students of higher institutions engaged in software development.

#### 3.1 Verticals (Focal sub-sectors)

The verticals for financing under the eligible activities shall include:

- i. Fashion
- ii. Information Technology
- iii. Movie
- iv. Music

Verticals	Target Markets
Fashion	<ul style="list-style-type: none"><li>● Designers</li></ul>
Information Technology	<ul style="list-style-type: none"><li>● Information Technology</li><li>● Student Software Development Loan</li></ul>
Movie	<ul style="list-style-type: none"><li>● Movie Distribution</li><li>● Movie Production</li></ul>
Music	<ul style="list-style-type: none"><li>● Music Production (Musicians)</li><li>● Music Distribution</li></ul>

Provided that both the activities covered and the verticals shall not violate the principles of non-interest banking and finance.

### 4. Funding

The initiative shall be funded from the Agri-Business, Small and Medium Enterprises Investment Scheme (AGSMEIS), an initiative of the Bankers' Committee, with a seed fund of N22.9 billion appropriated as follows:

4.1	Student Software Development Loan	–	N1.0 billion
4.2	Information Technology	–	N5.5 billion
4.3	Movie Production	–	N3.0 billion disaggregated into:
	4.3.1 Production	–	N1.5 billion
	4.3.2 Equipment Financing	–	N1.5 billion



4.4	Movie Distribution	–	N4.0 billion
4.5	Music	–	N5.4 billion
4.6	Fashion	–	N4.0 billion

## 5. Operational Features of CIFI

The key features of the CIFI include:

### 5.1 Software Development and Movie

Features	Student Software Development Facility	Movie Production	Movie Distribution
<b>Single Obligor Limit</b>	N3.0 million	N50.0 million	N500.0 million
<b>Rate of Return</b>	9.0% p.a. (all inclusive)	9.0% p.a. (all inclusive)	9.0% p.a. (all inclusive)
<b>Tenor</b>	3 years	10 years	10 years
<b>Moratorium</b>	9 months from date of facility disbursement	24 months from date of facility disbursement	24 months from date of facility disbursement
<b>Repayment</b>	Monthly	Quarterly	Monthly
<b>Security Arrangement</b>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 0%</li> <li>• University degree certificate</li> <li>• NYSC certificate</li> <li>• Credible Guarantor</li> <li>• Personal Guarantee</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 30%</li> <li>• Equitable mortgage</li> <li>• All asset debenture</li> <li>• Credible Guarantor</li> <li>• Personal Guarantee</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 30%</li> <li>• Equitable mortgage</li> <li>• All asset debenture</li> <li>• Personal Guarantee</li> </ul>
<b>Other Conditions</b>	<ul style="list-style-type: none"> <li>• Must gain admission into a training organisation that has job placement contracts</li> <li>• No bad credit history with CRMS or any</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum of three (3) years relevant experience</li> <li>• No bad credit history with CRMS or</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum of three (3) years relevant experience</li> <li>• No bad credit history with CRMS or</li> </ul>

	commercial banks in Nigeria <ul style="list-style-type: none"> <li>• Preference for areas with low IT penetration</li> </ul>	any commercial banks in Nigeria <ul style="list-style-type: none"> <li>• Preference for areas with low cinema penetration</li> </ul>	any commercial banks in Nigeria <ul style="list-style-type: none"> <li>• Preference for areas with low cinema penetration</li> </ul>
<b>Funding Structure</b>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 0%</li> <li>• NIB (Term Facility) – 100%</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 30%</li> <li>• NIB (Term Facility) – 70%</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 30%</li> <li>• NIB (Term Facility) – 70%</li> </ul>
<b>Disbursement</b>	In phases in accordance with agreed milestones	In phases in accordance with agreed milestones	In phases in accordance with agreed milestones
<b>Repayment Source</b>	From the proceeds of software sale or patent usage	From the proceeds of movie tickets at the box office and other channels of distribution	From the proceeds of movie tickets at the box office and other channels of distribution

## 5.2 Fashion, IT and Music

Features	Fashion	Information Technology	Music
<b>Monetization (To be financed)</b>	<ul style="list-style-type: none"> <li>• Equipment purchase</li> <li>• Rental/service fees</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment purchase</li> <li>• Rental/service fees</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment purchase/rentals</li> <li>• Rental/service fees</li> </ul>
<b>Rate of Return</b>	9.0% p.a. (all inclusive)	9.0% p.a. (all inclusive)	9.0% p.a. (all inclusive)
<b>Tenor</b>	10 years	10 years	10 years
<b>Moratorium</b>	36 months from date of facility disbursement	36 months from date of facility disbursement	36 months from date of facility disbursement
<b>Repayment</b>	Quarterly	Quarterly	Quarterly
<b>Security Arrangement</b>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 20%</li> <li>• Mortgage debenture</li> <li>• Equitable mortgage</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 20%</li> <li>• Mortgage debenture</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 20%</li> <li>• Mortgage debenture</li> </ul>

	<ul style="list-style-type: none"> <li>• Lien on stock of trade and items of equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Equitable mortgage</li> <li>• Lien on stock of trade and items of equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Equitable mortgage</li> <li>• Lien on stock of trade and items of equipment</li> </ul>
<b>Other Conditions</b>	<ul style="list-style-type: none"> <li>• At least three (3) referrals from recognised sponsors or bodies or associations.</li> <li>• Minimum of three (3) years relevant experience</li> <li>• No bad credit history with CRMS or any commercial banks in Nigeria</li> </ul>	<ul style="list-style-type: none"> <li>• At least three (3) referrals from recognised sponsors or bodies or associations</li> <li>• Minimum of three (3) years relevant experience</li> <li>• No bad credit history with CRMS or any commercial banks in Nigeria</li> </ul>	<ul style="list-style-type: none"> <li>• At least three (3) referrals from recognised sponsors or bodies or associations</li> <li>• Minimum of three (3) years relevant experience</li> <li>• No bad credit history with CRMS or any commercial banks in Nigeria</li> </ul>
<b>Funding Structure</b>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 20%</li> <li>• NIB (Term Facility) – 80%</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 20%</li> <li>• NIB (Term Facility) – 80%</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum Equity Contribution - 20%</li> <li>• NIB (Term Facility) – 80%</li> </ul>
<b>Disbursement</b>	In phases in accordance with agreed milestones	In phases in accordance with agreed milestones	In phases in accordance with agreed milestones
<b>Repayment Source</b>	From proceeds of the business	From the proceeds of sales or income form services provided	From the proceeds of music record sale or shows

**6. Transaction Dynamics**

- i. The prospective applicant approaches any bank of his/her choice with a business plan or statement detailing how much is needed for his/her business proposal.
- ii. The bank provides the applicant with the documentation requirements for accessing any of the verticals.
- iii. The documentation requirements shall be as acceptable by the respective bank for credit requests by its customers.

- iv. The bank carries out due diligence of the application and documentation submitted.
- v. Successful applicants are issued offer letters, which shall have therewith repayment schedules in accordance with the business dynamics.
- vi. The successful applicants shall accept the offer, as well as, meeting all conditions specified in the offer letter precedent to draw down.
- vii. The bank forwards successful applications with copies of the offer letter to the Director, Development Finance Department, Central Bank of Nigeria, for consideration and release of aggregate facility amount to the bank for onward financing to successful applicants.
- viii. The bank disburses facility to successful applicants within ten (10) days of receipt of funds from the CBN.
- ix. The bank bears the credit risk and shall be responsible for the monitoring the performance of the facility.

**6.1** The CBN shall release funds to the PFIs as agents of the Fund. The PFIs shall finance the eligible activity using any of the approved CBN non-interest financing products of NIFIs (Murabahah, Salam, Istisna', Ijarah etc). The rate of return shall be an all-inclusive 9%, to be shared among the parties at a ratio to be determined from time to time by the CBN.

## **7. Participating Financial Institutions (PFIs)**

All non-interest banks (NIBs) and non-interest microfinance banks shall be eligible to participate under the initiative.

## **8. Monitoring and Evaluation**

There shall be regular joint monitoring and evaluation of financed projects by the CBN and respective PFIs. Reports of the exercise shall be submitted to the Director, Development Finance Department.

## **9. Infractions and Penalties**

The infractions and penalties shall be as specified in the AGSMEIS Guidelines (NIB Version).

## **10. Discontinuation of Facility**

Whenever a financing is repaid or the facility is otherwise discontinued, the PFIs shall advise the CBN immediately, giving particulars of the facility. Any outstanding amount under the facility is to be refunded to the AGSMEIS Fund Account within seven (7) days of discontinuation.

## **11. Amendments**

These modalities shall be subject to review from time to time as may be deemed necessary by the CBN and the Bankers' Committee.

## **12. Enquiries and Returns**

All enquiries and returns should be addressed to:

**The Director  
Development Finance Department  
Central Bank of Nigeria,  
Corporate Headquarters;  
Central Business District,  
Abuja.  
Telephone No: 234-09-4623860**

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

**June 2020**

## **APPENDIX**

### **Definition of Terms**

#### **Agribusiness**

Agribusiness in the context of these guidelines shall be a business involved in any of the agricultural value chain including production, processing, storage and logistics.

#### **Facility Disbursement**

The actual commencement of the underlying contract used in the financing, between the PFI and the beneficiary

#### **Participating Financial Institutions (PFIs)**

Any Non-Interest Bank or Non-Interest Microfinance Bank licensed by the Central Bank of Nigeria to provide banking services in Nigeria.

### **Abbreviations and Acronyms**

AGSMEIS	Agri-Business Small, and Medium Enterprises Investment Scheme
CBN	Central Bank of Nigeria
CIFI	Creative Industry Financing Initiative
CRMS	Credit Risk Management System
DMB	Deposit Money Bank
PFI	Participating Financial Institution
NIB	Non-Interest Bank
NIFI	Non-Interest Financial Institution



## **CENTRAL BANK OF NIGERIA**

### **AMENDMENT TO THE GUIDELINES FOR THE IMPLEMENTATION OF THE N50 BILLION TARGETED CREDIT FACILITY (TCF) (NON-INTEREST)**

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#### **1.0 Introduction**

As part of the efforts of the Central Bank of Nigeria (CBN) to cushion the impact of the COVID-19 pandemic, the Bank recently introduced the Targeted Credit Facility (TCF) to support affected households and business enterprises affected. The amendment to the Guidelines is hereby revised to fast track the implementation of the Scheme and deepen the reach of the initiative.

The revised TCF Guidelines is designed to complement other special of the Bank in providing concessionary financing for households and enterprises affected by COVID-19.

#### **2.0 Objectives of the Facility**

The broad objectives of the CBN's N50 billion Targeted Credit Facility include:

- i. Cushion the adverse effects of COVID-19 on households and MSMEs;
- ii. Support households and MSMEs whose economic activities have been significantly disrupted by the COVID-19 pandemic.
- iii. Stimulate credit to MSMEs to expand their productive capacity through equipment upgrade, and research and development.

#### **3.0 Targeted Participants**

For the purpose of this Scheme, the following targeted participants shall be eligible to participate under TCF:

- i. Households or employees with verifiable evidence of livelihood adversely impacted by COVID-19 and willing to establish a new business enterprise.

- ii. Micro enterprises with 1 – 5 staff and verifiable evidence of business activities adversely affected as a result of the COVID-19 pandemic, with evidence of job protection for its staff.

**NOTE:** Small and Medium Enterprises (SMEs) with verifiable evidence of business activities adversely affected as a result of the COVID-19 pandemic shall be eligible to submit their applications under the Bank’s Micro, Small and Medium Enterprises Development Fund (MSMEDF) through their PFIs.

#### **4.0 Criteria for Participation under the Scheme**

Targeted enterprises or households shall be required to provide one or more verifiable and documented evidence of adverse impact of COVID-19, which shall include:

- i. Evidence of lay-off due to COVID-19 pandemic;
- ii. Evidence of loss of income by household or employee due to infection of corona virus by the household head;
- iii. Evidence of loss of income by enterprise or business closure including due to the coronavirus;
- iv. Verifiable drop, by at least 50 per cent, in combined/ aggregate incomes period on period because the primary source(s) of income is/are directly tied, vertically or horizontally, to another activity heavily impacted by the coronavirus pandemic;
- v. Favourable report from at least one (1) credit bureau and CRMS;
- vi. Evidence of jobs protected by the micro enterprises; and
- vii. Submission of a viable and feasible business proposal.

#### **5.0 Activities Covered**

Eligible activities under the Scheme include:

- i. Agricultural value chain activities
- ii. Hospitality (accommodation and food services)
- iii. Health (pharmaceuticals and medical supplies)
- iv. Airline service providers
- v. Manufacturing/value addition
- vi. Trading
- vii. Any other income generating activities as may be prescribed by the CBN and are Shari'ah compliant.



## **6.0 Funding**

The Scheme shall be financed from the Micro, Small and Medium Enterprises Development Fund (MSMEDF).

## **7.0 Participating Financial Institutions**

All non-interest microfinance banks and non-interest deposit money banks shall be eligible to participate under the Scheme.

## **8.0 Financing Limit**

The obligor limit under the Scheme has be categorized to reflect the tenor of the facility for affected households:

### **8.1 Households**

- i. N1.0 million: 0 – 6 months
- ii. N2.0 million: 6 – 24 months
- iii. N3.0 million: 24 – 36 months

### **8.2 Micro enterprises**

The obligor limit for micro enterprises, under the Scheme, shall be N5.0 million.

## **9.0 Rate of Return**

Rate of return under the Scheme shall be 5% p.a. (all inclusive) up to 28<sup>th</sup> February 2021 and thereafter, the rate of return on the financing shall revert to 9% p.a. (all inclusive) as from 1<sup>st</sup> March 2021.

The sharing formula between CBN and the PFI shall be as per the terms of the MSMEDF Scheme.

## **10.0 Financing Tenor**

The facility shall have a maximum tenor of not more than 3 years with, at least, six (6) months moratorium.

## **11.0 Collateral Requirement**

The collateral acceptable under the Scheme shall be as may be acceptable by the PFI, but may include any one or more of the following:

- i. Moveable asset(s) duly registered on the National Collateral Registry (NCR);
- ii. Cash deposit certificates;
- iii. Simple deposit of title documents, in perfectible state;
- iv. Irrevocable domiciliation of proceeds;
- v. Two (2) acceptable Guarantors;
- vi. Personal Guarantee of the promoter of the business;
- vii. Family Takaful policy of the Key-Man, with the PFI noted as the First Loss Payee;  
and
- viii. Comprehensive Takaful over the asset.

## **12.0 Transaction Dynamics**

- i. Eligible households or micro enterprises shall submit applications to their PFIs;
- ii. The application must, among others, contain BVN number, business registration (where applicable) and business plan with clear evidence of the opportunity or adverse impact as a result of COVID-19 pandemic.
- iii. The PFI shall appraise the applications and conduct due diligence;
- iv. Upon satisfactory appraisal of application, The PFI shall forward the applications to the CBN for final approval
- v. CBN reviews applications and gives final approval for disbursement to PFI.
- vi. The disbursement to the PFI shall be under a Restricted Mudarabah Contract between CBN and the PFI as in the MSMEDF Scheme.
- vii. The PFI shall release the funds the participant for the project based on CBN approved contracts for NIFIs that can accommodate variable returns only.

## **13.0 Monitoring and Reporting**

Periodic monitoring of projects financed under the Scheme shall be conducted by the PFI with CBN.

## **14.0 Responsibilities of Stakeholders**

### **14.1.1 CBN shall:**

- i. Provide the seed fund for the Scheme
- ii. Release funds to the PFI for disbursement to successful applicants.
- iii. Review the Guidelines of the Facility as may be necessary

- iv. Receive and process periodic returns from PFI.
- v. Monitor and evaluate implementation of the Scheme by PFI.

**14.1.2 The PFI shall:**

- i. Validate the status and BVN of the applicants;
- ii. Process and disburse funds to approved beneficiaries;
- iii. Maintain records of all beneficiaries and disbursements;
- iv. Forward periodic returns on the prescribed format on the Scheme to CBN;
- v. Comply with the Guidelines; and
- vi. Carry out any other duties as the CBN may prescribe from time to time.

**15. Exit Date**

The exit date of this Intervention is 31<sup>st</sup> December 2024.

**16. Amendments**

This framework shall be subject to review from time to time as may be deemed necessary by the CBN.

**17. Enquiries and Returns**

All enquiries and returns should be addressed to:

**Director,**

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

**June 2020**