

N200 BILLION INTERVENTION FUND FOR RE-FINANCING AND RESTRUCTURING OF BANKS' LOANS TO THE MANUFACTURING SECTOR



CENTRAL BANK OF NIGERIA GUIDELINES

1.0 Introduction

The Central Bank of Nigeria in a bid to unlock the credit market has approved the investment of the sum of N500 billion Debenture Stock to be issued by the Bank of Industry (BOI). In the first instance, the sum of N300 billion will be applied to power projects and N200 billion to the refinancing/restructuring of banks' existing loan portfolios to Nigerian SME/Manufacturing Sector. These Guidelines relate to the N200 re-financing and restructuring of banks' loans to the manufacturing sector and those for the power sector will be issued at a later date.

2.0 Objectives of the Fund

The objectives of the Fund are to:

- i. Fast-track the development of the manufacturing sector of the Nigerian economy by improving access to credit to manufacturers.
- ii. Improve the financial position of the Deposit Money Banks.
- iii. Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis.

3.0 Managing Agent

The Bank of Industry (BOI) shall be the Managing Agent and be responsible for the day to day administration of the Fund.

4.0 Activities to be covered Under the Fund

The activities to be covered under the Fund are:

- (i) Manufacturing: Any entity is adjudged to be a “Manufacturer” if it:
- Is involved in the production and processing of tangible goods
 - Fabricates, deploys plants, machinery or equipment to deliver goods or provide infrastructure to facilitate economic activity in the real sector; and such entity must not be involved in the financial services industry

The manufactures include Small and Medium Scale Enterprise (SMEs) defined as an entities with an asset base (excluding land) of between N5 million and N500 million and with labour force of between 11 and 300.

Trading activities shall not be accommodated under this Fund.

5.0 Types of Facilities

- Long term loan for acquisition of plant and machinery
- Refinancing of existing loans
- Resuscitation of ailing industries
- Refinancing of existing lease
- Working capital

6.0 Eligibility Criteria for Participation in the Fund

Participating Bank (PB)

All Deposit Money Banks and Development Finance Institutions (DFIs) excluding the Bank of Industry (BOI).

Borrower

A borrower shall meet the following criteria to be eligible:

- Any entity falling within the definition of an SME and/or manufacturer

- An entity wholly-owned and managed Nigerian private limited company registered under the Companies and Allied Matters Act of 1990.
- A legal business operated as a sole proprietorship
- Be a member of the relevant Organised Private Sector Associations such as MAN, NASME, NACCIMA, NASSI e.t.c.
- Any entity as defined above with an existing facility on the books of the PB (emphasis will be on facilities that are indicating weakness arising from tenor, structure as well as facing cash flow difficulties)

7.0 Modalities of the Fund

i. Loan Amount

Loan amount is a maximum of N1 billion for a single obligor in respect of refinancing/restructuring.

ii. Interest Rate

The Fund shall be administered at an all-in Interest rate/charge of 7 percent per annum payable on quarterly basis. *Specifically, the Managing Agent (BOI) shall be entitled to a 1% management fee and the Banks, a 6% Spread.*

8.0 Loan Tenor

- (i) Loans shall have a maximum tenor of 15 years and or working capital facility of one year with provision for roll over.
- (ii) The Fund allows for moratorium in the loan repayment schedule.

9.0 Mechanism for Refinancing/Restructuring for the Fund

- Bank of Industry (BOI) will send out notice to all DMBs/DFIs for submission of refinancing/restructuring requests.

- Banks should submit requests in the prescribed format within 14days of the notice from BOI.
- Each request must be accompanied by the following documents:
 - a. Request from the customer seeking for such refinancing and/or restructuring
 - b. Latest financials of the obligor (management accounts will be acceptable in lieu of updated accounts
 - c. Copies of duly executed offer documents between the bank and the loan obligor evidencing existence of a facility.
 - d. 6 months account statements showing the current exposure
 - e. An abridged business plan or feasibility study of the underlying project for which the facility was initially approved. The plan must include the projects cash flow projections detailing the repayment schedule.
 - f. Certificate of Incorporation evidencing the incorporation of the Company with the Corporate Affairs Commission.
 - g. A letter of commitment indicating that the requesting bank shall on or before 31st December 2010, book new loans to the manufacturing / SME sectors in an amount not less than 50% of the amount accessed under the Fund.
- All applications for refinancing/restructuring facilities can be made directly or by way of syndication, club arrangement or any other means involving two (2) or more banks on the books of a bank.
- Within 7days of the receipt of the banks' requests, BOI shall inform the banks of the status of their application and also advice each bank of the amount of its facility that shall be refinanced / restructured under the Fund.
- An on-lending agreement shall be signed between BOI and each bank at this time.

- Within receipt of funds from the CBN, BOI shall require each bank, to pledge securities with face value of not less than 100% of its specified refinanced amount to BOI through the Discount office of the CBN. Eligible securities shall include the following:
 - a. Nigerian Treasury Bills
 - b. FGN Bonds
 - c. Other Bonds Backed by the guarantee of the Federal Government
 - d. Any other securities acceptable to the CBN
- BOI shall within 24hours of receipt of the pledge (vide a pledge writer duly acknowledged by the discount office), credit each bank with the amount allocated to them – and not exceeding the face value of government instruments pledged.
- The recipient banks are expected to apply the funds by restructuring and/or refinancing the stated accounts in line with the terms and conditions of their requests (especially as it relates to tenor and interest rates) within 48hours of receipt of funds from BOI.
- In the event a bank fails to meet its obligations, the BOI shall give 30days notice of its intention to liquidate the securities.
- As a result of pledging of securities for this fund, the following prudential treatment shall be accorded through out the tenor of the loan.
 - a. The amount disbursed shall be treated as a Term Loan.
 - b. The Term Loan shall not form part of the bank's deposit liabilities for the purpose of liquidity and cash reserve ratio computations.
 - c. The Term Loan shall not be liable for NDIC premium charges.

- d. The securities pledged shall continue to count as part of the bank's liquid assets for the purpose of Liquidity Ratio Computation.

10.0 Verification/Monitoring of Projects.

- (i) Projects under the Fund shall be subject to verification by the BOI. Acceptance or rejection of an application for refinancing/restructuring by the BOI shall be communicated to the PB and the borrower within 14 working days after verification.
- (ii) The project shall be subject to monitoring by the BOI, CBN and PB during the loan period.
- (iii) The BOI has the right to reject a request from any Participating bank that contravenes any section of the Guidelines.

11.0 Responsibilities of Stakeholders:

For the effective implementation of the Fund and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

a. The CBN

The Central Bank of Nigeria shall:

- Articulate clear guidelines for the implementation of the Fund
- Provide Fund for the Intervention
- Determine the limits of the Fund.
- Specify the rate at which BOI and Participating Banks will lend under the Fund.
- Carry out verification/monitoring of projects under the Fund.
- Monitor the implementation of the Fund and publish periodic reports on its performance.
- Request BOI to render periodic returns as may be specified from time to time.

- Build capacity of stakeholders
- Review the Fund guidelines as may be necessary from time to time

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

The Organised Private Sector Associations shall:

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

c. Bank of Industry (BOI)

The BOI shall:

- Issue debenture covering the funds to be invested by CBN
- Lend the proceeds of debenture to PBs at 1%
- Put in place appropriate institutional arrangements for disbursing, monitoring and recovering the amount obtained under the Fund
- Render periodic returns on the participation of Banks under the Fund to the Central Bank of Nigeria

c. The Participating Banks (PB[s])

The PB(s) shall:

- Grant credit facilities to Manufacturers at a rate of 7% p.a.;
- Approve requests under the Fund based on normal business consideration and exercising appropriate due diligence;
- Render periodic returns under the Fund as may be specified by the CBN and BOI from time to time; and
- Monitor the projects during the loan period.
- Collaborate with Organised Private Sector Associations to ensure efficient utilization and prompt repayment of funds.
- Comply with the guidelines of the Fund

d. Borrower

The borrower shall:

- Utilise the funds for the purpose for which it was granted.
- Insure the project being financed.
- Adhere strictly to the terms and conditions of the Fund.
- Make the project and records available for inspection/verification by the CBN and BOI.
- Comply with the guidelines of the Fund.

12.0 Discontinuation of a Credit Facility

Whenever a loan is repaid or the facility is otherwise discontinued, the participating bank shall advise the BOI immediately, giving particulars of the credit facility.

Any outstanding amount under the facility is to be refunded to the BOI.

13.0 Amendments

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

14.0 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: 234-09-46238600

Development Finance Department
Central Bank of Nigeria,
Abuja.
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