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

(Revised – August, 2014)

Development Finance Department

Central Bank of Nigeria
CHAPTER ONE

1.0 ESTABLISHMENT OF THE FUND

As part of its developmental functions and mandate of promoting a sound financial system in Nigeria, the Central Bank of Nigeria 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 achieve the provisions of Section 4.2 (iv) of the Policy, which stipulates that women’s access to financial services should 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-lending to micro enterprises and SMEs respectively. Only new SMEs shall be allowed to be financed by DMBs under the MSMEDF.

Special consideration shall be given to Participating Financial Institutions (PFIs) that have signed Memorandum of Understanding (MoU) with the Central Bank of Nigeria’s Entrepreneurship Development Centers (EDCs) to provide financial services to its graduates. In addition, 2% of the wholesale component of the Fund shall go to economically active persons with disabilities (excluding mental disabilities).
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 interest funds to the MSME sub-sector of the Nigerian economy through PFIs to:

- Enhance access by MSMEs to financial services
- Increase productivity and output of microenterprises
- Increase employment and create wealth
- 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 qualified and eligible PFIs for on-lending to MSMEs
- b) Improve the capacity of the PFIs to meet credit needs of MSMEs
- c) Reduce the cost of funds of the PFIs and ensure that this translates into reduced borrowing costs for the borrowers.
1.5 Developmental Component

The Developmental Component makes up the remaining 10 percent of the Fund. It shall be earmarked for developmental programmes in the following categories:

- Grant (9.75%)
- Operational Expenses (0.25%) at take-off

1.5.1 Grant

The 9.75% Grant Component of the Fund shall support general development of the MSME sub-sector. It shall be incentives targeted at institutions that demonstrate good loan repayment culture to enable them attain more capacity for expanded outreach.

PFIs shall qualify for the grant component based on their performance rating in poverty reduction, job creation and financial inclusion. For institutions to benefit, they shall submit clearly defined projects and provide counterpart funding which shall be matched by the Funds grant support. An institution shall enjoy the grant once in three years up to a maximum of 25% of the project cost and subject to the discretion of the CBN.

The following activities shall be supported under the component:

a) Building capacity of staff of PFIs and their apex bodies
b) Development of appropriate regulatory regime for MSME lending
c) Financial literacy and entrepreneurship development
d) Mobilization, training and linking of MSMEs to financial services
e) Research and Development of MSME-friendly financial innovations and products
f) Business Development and Advisory Services
g) Building of financial infrastructure in support of MSMEs

Other areas of technical assistance under the Grant sub-component include support in the areas of internship,
secondment, mentoring and registration with Mix Market, sponsorship of ratings, 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 financial services to its graduates.

1.5.2 Selection Criteria

a) PFIs shall submit request to the Fund in a format which shall be prescribed by the CBN from time to time.

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 be managed by the CBN under the terms and conditions defined in the Guidelines. In addition, the office that is responsible for the administration of the women component of the Fund shall be headed by a woman.

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

1. The Deputy Governor, Financial Systems Stability

Representatives of:

2. Federal Ministry of Finance Incorporated (MoFI)

3. Federal Ministry of Agriculture and Rural Development (FMA&RD) - RUFIN
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. The 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)

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 include:

    a) Micro Enterprises
    b) Small and Medium Enterprises

The following are eligible activities under the Fund:

Microenterprises

- Agricultural value chain activities
- Cottage Industries
- Artisans
- Services to hotels, schools, restaurants, laundry etc.
- Renewable energy/energy efficient product and technologies
- Trade and general commerce
- Any other income generating enterprise as may be prescribed by the CBN
A maximum of 10% of the Commercial component of the Fund shall be channeled to trade and commerce. This is to ensure that productive sectors of the economy continue to attract more financing necessary for employment creation and diversification of the country’s economic base.

**Small & Medium Enterprises (SMEs)**

- Manufacturing
- Agricultural value chain activities
- Educational institutions
- Renewable energy/energy efficient product and technologies
- Any other income generating enterprise as may be prescribed by the CBN

**Note:** Refinancing under this programme is strictly prohibited.
CHAPTER TWO

2.0 ELIGIBILITY AND TERMS FOR PARTICIPATION

The PFIs shall include all Microfinance Banks, Non-Governmental Organizations-Microfinance Institutions (NGO-MFIs), Financial Cooperatives, Finance Companies, Development Finance Institutions (Bank of Agriculture & Bank of Industries) and Deposit Money Banks. The Bank of Industries (BoI) and Deposit Money Banks (DMBs) will participate under the SMEs window only.

2.1 Microfinance Banks & Finance Companies

For a microfinance bank/finance company to be eligible for wholesale funding, it shall satisfy the following conditions:

a) Submission of latest CBN/ NDIC examination report
b) Submission of 2 years Audited/Management Accounts
c) Acceptable Risk Management Framework
d) Sound Corporate Governance Culture indicated by:
   o Adherence to Ethical Values
   o Degree of Separation of Ownership from Control/Management
   o Number of non-performing insider-related facilities
e) Evidence of Membership of apex association and up-to-date payment of annual subscription
f) Compliance with up-to-date and timely rendition of monthly returns to the CBN as stipulated in the Revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria.
g) Any other condition as the CBN may stipulate from time to time.
2.2 Microfinance Institutions (NGO-MFIs and Financial Cooperatives)

- a) Registration with Corporate Affairs Commission or Appropriate Ministries, Departments and Agencies (MDAs) of States/FCT.
- b) Corporate, trustee and management profile
- c) Acceptable Risk Management Framework
- d) Third Party Guarantee of at least 2 trustees
- e) Sound Corporate Governance
- f) Submission of 6 months statement of account
- g) Submission of two years audited accounts or management accounts
- h) Membership of the apex association with evidence of up-to-date payment of subscription
- i) Compliance with up-to-date and timely rendition of monthly returns to the CBN as stipulated in the Revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria.
- j) Any other condition as the CBN may stipulate from time to time.

2.3 Other Requirements for Borrowing by PFIs (Excluding DMBs & DFIs)

All applications shall be accompanied by the following:

- a) Completed Application Form
- b) Viable Business Plan
- c) Board resolution or Trustee consent to access the Fund
- d) List of prospective borrowers, addresses/telephone numbers
- e) Evidence of submission of names of borrowers to licensed Credit Bureaux
- f) Certificate of Incorporation or Registration
- g) Evidence of due diligence on projects
- h) Letter authorizing CBN to debit PFIs account with correspondent bank in case of default.
2.4 Deposit Money Banks (DMBs)/Development Finance Institutions (DFIs)

A DMB/DFI to be eligible for wholesale funding shall satisfy the following conditions:

a) Sign MOU with the CBN.
b) Undertake to bear all the credit risks of the loans they shall be granting.
c) Issue authority to the CBN to deduct the balance of the outstanding loan at source from its account with the Bank.
d) Set aside ten (10) per cent of SME fund accessed for financing start-up businesses.

2.5 Obligor Limit per Cycle

Maximum loan amount per cycle of wholesale lending shall be as indicated in the table below or 50% of Shareholder’s Fund unimpaired by losses for MFBs and Finance Companies.

a) PFIs

<table>
<thead>
<tr>
<th>S/No.</th>
<th>Financial Institution</th>
<th>Facility Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Unit Microfinance Bank</td>
<td>N10 million</td>
</tr>
<tr>
<td>2</td>
<td>State Microfinance Bank</td>
<td>N50 million</td>
</tr>
<tr>
<td>3</td>
<td>National Microfinance Bank</td>
<td>N500 million</td>
</tr>
<tr>
<td>4</td>
<td>NGO-MFIs</td>
<td>N10 million</td>
</tr>
<tr>
<td>5</td>
<td>Financial Cooperatives</td>
<td>N10 Million</td>
</tr>
<tr>
<td>6</td>
<td>Finance Companies</td>
<td>N10 Million</td>
</tr>
</tbody>
</table>

b) Borrowers

On-lending to clients shall be based on the assessment by the PFIs. The structure and limits for borrowers are as shown below:
### Table: Enterprise Groupings and Loan Maximum per Application (₦)

<table>
<thead>
<tr>
<th>Enterprise Groupings</th>
<th>%</th>
<th>% Groupings</th>
<th>Loan Maximum per Application (₦)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>50</td>
<td>20 Others, 30 Female</td>
<td>500,000</td>
</tr>
<tr>
<td>SMEs (financed by other PFIs)</td>
<td>50</td>
<td>20 Others, 30 Female</td>
<td>5,000,000</td>
</tr>
<tr>
<td>SMEs (funded by DMBs &amp; DFIs)</td>
<td>40</td>
<td>60</td>
<td>50,000,000</td>
</tr>
</tbody>
</table>

#### 2.6 Loan Tenor

The facility shall have a maximum tenor of one (1) year for micro enterprises and up to five (5) years for SMEs with option of moratorium. PFIs shall access the fund as many times as possible upon full repayment.

#### 2.7 Interest Rates

The Fund shall be administered at an interest rate of 3% per annum under the wholesale funding to the PFIs with a spread of 6% bringing the lending rate to borrowers at a maximum of 9% per annum inclusive of all charges.

The interest charges shall be subject to review by the Steering Committee of the Fund from time to time.

#### 2.8 Acceptable Collateral (from PFIs excluding DMBs)

Any or a combination of the following collateral shall be accepted by the CBN as security for loans from PFIs (excluding DMBs) to cover a minimum of 75% of the loan amount:

- a) Financial Assets including pledge of Treasury Bills, Placements, Bonds, etc.
- b) Third Party Guarantee from at least two (2) Board Members/Trustees and/or Third Party Guarantee from high net worth individuals
- c) Any other collateral acceptable by the CBN from time to time.
2.9 Monitoring and Evaluation (M&E)

To achieve the objectives of the Fund, a robust M&E framework has been developed to monitor the operations and utilization of the Fund. The following shall apply:

a) On-site verification and monitoring of projects under the Fund by the CBN and PFIs during the loan period.

b) Off-site ICT based reporting system to provide up-to-date information on the Fund’s activities.

c) Reports of the monitoring exercise shall be shared with the concerned PFIs.

d) CBN shall leverage Apex Associations’ capacities and information in monitoring and evaluation

e) CBN shall periodically evaluate the activities of the PFIs to ensure achievement of the objectives of the Fund.

2.10 Discontinuation of the Facility

All undisbursed funds or discontinued facilities shall be reported and repaid to the CBN within 5 working days.
CHAPTER THREE

3. INCENTIVES

The following incentives shall apply to PFIs that utilize approved facilities in line with the terms and conditions of the offer:

<table>
<thead>
<tr>
<th>PFI Category</th>
<th>Size of facility</th>
<th>Time taken to approve facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronze</td>
<td>Repaid two loan-cycles as and when due</td>
<td>Original Loan x 2</td>
</tr>
<tr>
<td>Silver</td>
<td>Repaid three loan-cycles as and when due</td>
<td>Original Loan x 3</td>
</tr>
<tr>
<td>Gold</td>
<td>Repaid four loan-cycles as and when due</td>
<td>Original Loan x 4</td>
</tr>
</tbody>
</table>

3.1 INFRACTIONS

The following sanctions shall apply to erring DMBs/DFIs under the Fund.

a) Diversion of funds by DMBs shall attract a penalty at the bank’s prime lending rate at the time of infraction. The CBN shall recover the fund by debiting the DMBs’/DFIs’ account. In addition, such DMBs/DFIs shall be barred from further participation under the Fund.

b) Non-rendition or false returns shall attract the penalty stipulated by BOFIA Section 60.

c) Charging interest rate higher than prescribed shall attract the penalty stipulated by BOFIA section 60.

d) Any DMB/DFI that fails to disburse the fund within 5 working days of receipt to the borrower shall be charged a penalty interest rate of MPR+300 basis points for the period the fund was not disbursed.

e) Any other breach of the guidelines as may be specified from time to time.

f) Notwithstanding the agreement between the DMB/DFI and the project promoter, the CBN has the right to reject a request from any DMB/DFI that contravenes any section of the Guidelines.
Sanctions for other erring PFIs shall include:

<table>
<thead>
<tr>
<th>S/No</th>
<th>INFRACTIONS</th>
<th>SANCTIONS</th>
</tr>
</thead>
</table>
| 1    | Diversion of funds to unauthorized activities                               | • Amount diverted shall be recovered by the CBN  
• Penal charge of the maximum lending rate of the institution on the amount diverted  
• Outright ban from participating under the Fund |
| 2    | Non rendition of returns                                                    | • Fine of 2.5% of loan amount  
• Issuance of warning letter to the Management of the PFI  
• Failure to render returns for two consecutive quarters shall lead to recall of the outstanding loan amount and 1 year suspension. |
| 3    | False returns                                                               | • False returns shall attract a recall of the loan and 2 years suspension from the fund                                                 |
| 4    | Non-compliance with 60% exposure of the loan amount to women entrepreneurs   | • Issuance of warning letter to Management  
• Suspension of lending to male clients until the recommended ratio is complied with  
• Exclusion from the incentives under the Fund |
| 5    | Charging interest rate higher than prescribed                               | • Reversal of excess interest charged  
• Issuance of warning letter to Management |
| 6    | Failure to disburse approved funds within 5 working days to the borrowers   | • Penal charge of MPR + 300 basis points for DMBs/DFIs and maximum lending rate for other PFIs for the period the fund were not disbursed |
CHAPTER FOUR

4.0 ROLES AND RESPONSIBILITIES OF STAKEHOLDERS

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

4.1 Central Bank of Nigeria

The CBN shall:

a) Provide the initial Seed Fund  
b) Ensure that other stakeholders co-finance the Fund  
c) Act as Fund Managers  
d) Chair the Steering Committee  
e) Determine the limits of the Fund.  
f) Specify the rate at which PFIs on-lend under the Fund  
g) Absorb the subsidy which may arise in the pricing of the loans to borrowers  
h) Provide regulatory and supervisory oversight  
i) Determine sanctions under the Fund  
j) Review the Fund Guidelines as may be necessary  
k) Appraise Applications from PFIs  
l) Release funds to qualified PFIs  
m) Carry out verification/monitoring of projects under the Fund  
n) Receive and process periodic returns from PFIs  
o) Ensure the implementation of the Fund and publish periodic report on its performance  
p) Retrieve funds from PFIs at the expiration of the loan tenor or infractions on the Guidelines  
q) Build capacity of stakeholders.

4.2 Non-DMB /DFI Participating Financial Institutions (PFIs)

All Non-DMB/DFI PFIs shall be eligible to:

a) Grant credit facilities to MSMEs
b) Approve loan requests under the Fund 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 interest on the loan from the Fund

e) Disburse released funds to eligible borrowers within 5 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 loan disbursement, monitoring and recovery.

h) Monitor the projects during the loan period.

i) Obtain credit information on borrowers from the Credit Bureaux

j) Report all disbursed loans to at least 2 Credit Bureaux

k) Render periodic returns on the performance of the loans under the Fund to the Central Bank of Nigeria as may be specified

l) Comply with the Guidelines of the Fund

m) Any other responsibility that may be required by the CBN

4.3 Deposit Money Banks (DMBs)/Development Finance Institutions (DFIs)

The DMBs/DFIs shall:

a) Not be used by State Governments to channel/disburse funds to end users under the MSMEDF.

b) Act as correspondent banks to other PFIs (DMBs ONLY)
c) Participate under the SME window ONLY (DMBs & BOI)
d) On-lend to projects from any of the target SMEs eligible activities (DMBs & BOI)
e) Bear all the credit risk of the loans they shall be granting
f) Ensure due diligence is followed in the administration of credit facilities
g) Monitor and ensure proper utilization of the funds
h) Lend 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 borrower;
j) Render monthly returns under the Scheme to the CBN on the reporting format.

4.4 Federal Government (FG)

The FG shall:

a) Contribute to the Fund
b) Support the Fund’s activities
c) Serve on the Steering Committee

4.5 Development Partners

The Development Partners shall:

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

4.6 Apex Associations

The Apex Associations shall:
a) Confirm membership of would-be PFIs
b) Monitor performance and ensure prompt repayment of loans by members.

4.7 Borrower

The borrower shall:

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.
CHAPTER FIVE

STATE GOVERNMENTS’ AND FEDERAL CAPITAL TERRITORY (FCT) PARTICIPATION UNDER THE FUND

5.0 Background

In recognition of State Governments/FCT strategic role in grassroots economic development, the Fund anticipates their indirect participation through the PFIs in their respective jurisdictions.

5.1 General Requirements

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

a) Provide evidence of Resolution of State House of Assembly authorizing the State to participate and access the Fund.

b) Establish a Micro Credit/MSME SPV which shall coordinate the applications by PFIs for the Fund. However, the PFIs shall be solely responsible for the appraisal, disbursement and recovery of loans under the Fund.

c) Provide a Bank Guarantee/Irrevocable Standing Payment Order (ISPO) equivalent to the amount requested including interest charges. The ISPO shall be invoked to accommodate the outstanding amount in default at the end of the loan tenor.

d) Sign a Memorandum of Understanding (MoU) with the CBN on modalities for the implementation of this window.

e) Operate a Sinking Fund Account with the CBN, into which any outstanding balance of disbursed amount shall be paid at the expiration of the loan.

f) Present a convincing annual framework on empowerment programme for prospective target groups, thereby creating sustainable demand for
financial services and providing the basis for measuring performance of the Fund.

5.2 Capacity Building

Capacity building shall be conducted for PFIs and borrowers as specified below:

a) **PFIs:** PFIs shall mandatorily undergo pre-disbursement capacity building programme to be implemented by the CBN. The Programme shall cover loan appraisal, disbursement, monitoring and recovery among others.

b) **Borrowers:** The State Government/FCT shall provide capacity building opportunities to borrowers through State-owned skills acquisition/vocational centres, CBN Entrepreneurship Development Centres (EDCs) or any such relevant agencies.

5.3 Utilization of Fund

a) **Maximum Limit per State/FCT**

A State Government or the FCT shall access a maximum of ₦2.0 billion.

b) **Tenor**

The facility shall have a maximum tenor of one (1) year for micro enterprises and up to five (5) years for SMEs with option of moratorium. PFIs shall access the fund as many times as possible upon full repayment.

c) **Interest Rate**

The interest rate shall be at 3% per annum to the State PFIs for on-lending to borrowers at a maximum of 9% per annum, inclusive of all charges.

5.4 Participating Financial Institutions (PFIs)

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

a) Microfinance Banks (MFBs)
b) Non-Governmental Organization – Microfinance Institutions (NGO-MFIs)

c) Financial Cooperatives
d) Finance Companies

5.5 **Mode of Application**

The required modalities are as follows:

a) The borrowers shall apply to the PFIs for a facility.

b) The PFIs shall appraise the applications for economic and financial viability of the request.

c) The PFIs shall forward their applications through the State SPV to the CBN specifying the amount, categories of clients, purpose, etc.

d) CBN shall appraise all applications submitted by the SPVs in favour of the PFIs, in line with the criteria in Section 5.5.

e) CBN approves and disburses funds through the PFIs’ correspondent banks.

5.6 **Roles and Responsibilities of Stakeholders**

To achieve the desired objectives, the responsibilities of the various stakeholders shall include:

5.6.1 **Central Bank of Nigeria**

The CBN shall:

a) Articulate clear guidelines for the implementation of the Fund.

b) Provide funds for the programme.

c) Open a Repayment/Sinking Fund Accounts for the ISPO proceeds and the interest charges from the State Governments/FCT.

d) Provide capacity building programme from the Grant Component to PFIs in the areas of loan appraisal, disbursement, monitoring and recovery among others.
e) Release approved fund to the PFIs through their correspondent banks and advise the PFIs 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 on its performance

h) Receive periodic returns from PFIs as may be specified

i) Ensure compliance of other parties with the Guidelines.

5.6.2 State Government/FCT

The State Government/FCT shall:

a) Provide evidence of Resolution of State House of Assembly authorizing the State to participate and access the Fund.

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 solely responsible for the administration (disbursement and recovery) of the Fund.

c) Provide a bank guarantee or Irrevocable Standing Payment Order (ISPO) for the loan amount plus interest charges signed by the State Governor, Commissioner for Finance and State Accountant General.

d) Comply with terms and conditions of the MoU.

e) Access the Fund on behalf of their participating financial institutions at 3% interest rate per annum.

f) Present a convincing annual framework/roadmap on their empowerment programme for prospective target groups, as a basis for measuring performance of the loan

g) Provide borrowers of the Fund with capacity building opportunities through State-owned skills acquisition/vocational centres, CBN Entrepreneurship Development Centres (EDCs) or any such relevant agencies.
5.6.3  **State Special Purpose Vehicle (S-SPV)**

The S-SPV shall:

a) Collate and forward applications by PFIs to CBN
b) Carry out quarterly monitoring of PFIs activities
c) Render quarterly report on performance of the loans to the State Government and CBN.
d) Build capacity of MSMEs under this window

5.6.4  **Participating Financial Institution (PFIs)**

The PFIs shall:

a) On-lend funds to MSMEs
b) Disburse funds within 5 working days of receipt to the borrowers
c) Monitor funds utilization by borrowers
d) Ensure repayment by borrowers
e) Open dedicated account with their correspondent banks for this window and forward details of the account to the CBN
f) The PFIs shall repay principal and the interest 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 States under the Fund

5.6.5  **Deposit Money Banks (DMBs)**

a) Open a dedicated account for PFIs for disbursement and recovery under this window.
b) Ensure release of approved funds to PFIs within 48 hours.
c) Remit repayments by PFIs to CBN within 5 working days.
5.7 Monitoring & Evaluation Framework

a) The projects shall be subject to on-site verification and monitoring by the CBN in conjunction with the PFIs during the loan period.

b) There shall be off-site monitoring through quarterly reports submitted to CBN and the State SPVs.

c) Reports of the monitoring exercise shall be shared with the concerned PFIs and State Governments.

d) The State SPVs and CBN shall leverage Apex Associations’ capacities and information in monitoring and evaluation.

e) CBN shall periodically evaluate the activities of the State SPVs and PFIs to ensure achievement of the objectives of the Fund.

5.8 Infractions

PFIs and State Governments/FCT may be suspended or black listed for infractions such as fund diversion, etc.

5.9 Amendments

The provisions of the Guidelines under this window shall be subject to review as shall be deemed necessary.

Enquiries and Returns should be addressed to:

The Director,
Development Finance Department,
Central Bank of Nigeria,
Corporate Headquarters
Central Business District,
Abuja.
Fax No. 09-46238655
www.cbn.gov.ng
APPENDIX

Definition of Terms

1. Micro Enterprises

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

2. Small and Medium Enterprises (SMEs)

SMEs are entities with asset base of N5 million and not more than N500 million (excluding land and buildings) with employees of between 11 and 200.

3. Women-Owned Enterprises

These refer to Nigerian women (group or individuals) or enterprises that are at least 75% owned by female Nigerians.

4. Participating Financial Institutions (PFIs)

PFIs shall be Microfinance Banks, Microfinance Institutions (NGOs and Financial Cooperatives), Finance Companies and Deposit Money Banks (DMBs) that satisfy the eligibility criteria defined in this Guideline.

5. Microfinance Banks (MFBs)

MFBs are companies licensed by the CBN to carry on the business of providing microfinance services, such as savings, loans, domestic funds transfer and other financial services that are needed by the economically active poor, as defined by the Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria.

6. Microfinance Institutions (MFIs)

MFIs are establishments registered to carry on the business of microfinance services, such as savings, loans and other financial services that are needed by its members.

7. Finance Companies (FCs)

FCs are companies licensed to carry on the business of providing financial services to individuals, entrepreneurs, industries as well as commercial or
agricultural enterprises as defined by the CBN Guidelines for Finance Companies in Nigeria.

8. Deposit Money Banks (DMBs)

Deposit Money Banks (DMBs) are banks licensed by the CBN under the BOFIA and shall serve as PFI and as correspondent bank to other PFIs under the Fund.

9. Development Finance Institutions (DFIs)

Development Finance Institutions are specialized financial institutions often backed by Government to provide crucial financial intermediation with the aim of closing up the supply gap in the financial system. DFIs usually provide long term, low risk debt and equity finance to projects for promoting sustainable economic growth.

10. State-Special Purpose Vehicle (S-SPV)

A privately managed entity established 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.