



CENTRAL BANK OF NIGERIA

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CIRCULAR TO ALL DEPOSIT MONEY BANKS

GUIDELINES FOR THE OPERATIONS OF THE AGRICULTURAL/SMALL AND MEDIUM ENTERPRISES INVESTMENT SCHEME (AGSMEIS)

The Bankers' Committee at its 331st meeting held on the 9th February, 2017, approved the Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS) to support the Federal Government's efforts at promoting Agricultural businesses/Small and Medium Enterprises (SMEs) as a vehicle for sustainable economic development and employment generation.

All Deposit Money Banks (DMBs) pursuant thereof, are hereby required to set aside and remit to the designated account domiciled in the Central Bank of Nigeria (CBN), 5% of their annual Profit After Tax (PAT) for equity investment in permissible activities as stipulated in the scheme guidelines.

Each Bank is also required to nominate a representative to the Project Review Committee, which shall have the responsibility for recommending investment of the funds in eligible enterprises.

A copy of the operational guidelines may also be accessed from the CBN website: www.cbn.gov.ng.

For further enquiries on the guidelines, kindly contact the Director, Development Finance Department, Central Bank of Nigeria, Abuja.

A handwritten signature in blue ink, appearing to read 'Kevin N. Amugo', written over a horizontal line.

KEVIN N. AMUGO
DIRECTOR, FINANCIAL POLICY & REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

Guidelines for the Operations of the Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS)

(AN INITIATIVE OF THE BANKERS' COMMITTEE)

1.0 Establishments of the Scheme

- 1.1 The Agri-Business/Small and Medium Enterprises Investment Scheme is a voluntary initiative of the Bankers' Committee approved at its 331st meeting held on 9th February, 2017.
- 1.2 The initiative is to support the Federal Government's efforts and policy measures for the promotion of agricultural businesses and small and medium enterprises (SMEs) as vehicles for sustainable economic development and employment generation.
- 1.3 The Scheme requires all banks in Nigeria to set aside 5% of their profit after tax (PAT) annually.

2.0 Objectives of the Scheme

The objectives of the scheme are to:

- 2.1 Ensure access to finance for Small and Medium Enterprises (SMEs), as these enterprises are the engine of growth of the Nigerian economy.
- 2.2 Generate much-needed employment opportunities in Nigeria.
- 2.3 Develop agricultural value chain and ensure sustainable agricultural practices.
- 2.4 Boost the managerial capacity of Agri-Business/SMEs as pipelines of growing enterprises that can become large corporate organizations.

3.0 Activities covered by the Scheme

The Scheme shall cover the following activities:

- 3.1 Agricultural investments which include production, storage, processing and logistics.
- 3.2 SMEs in the real sector as well as services sectors which are backward integrated into manufacturing/agriculture/mining/modular refineries including local initiatives in information and communication technology (ICT).
- 3.3 Other activities as may be determined by the Bankers' Committee from time to time.

4.0 Definition of a Small & Medium Enterprise:

For the purpose of this scheme, a small and medium enterprise is defined as any enterprise that meets at least 2 of the following criteria:

- i. Sales turnover not exceeding ₦4.5 billion;
- ii. Total assets not exceeding ₦4.5 billion; and
- iii. Number of tax paying employees not more than 250.

This is, however, subject to review by the Bankers' Committee from time to time.

5.0 Maximum Investment Amount

The amount investable in any enterprise shall be limited to a maximum of ₦2 billion. Investment in excess of the maximum allowable amount shall be subject to the approval of the CBN.

6.0 Investment Type

Investments under the scheme which could be for start-ups, expansion of established companies or reviving of ailing companies, shall be through equity in the form of fresh injection of capital.

Debt of any form is not allowed under the scheme.

7.0 Investment Vehicle

The Bankers' Committee shall appoint a Board of Trustees (BoT) which shall manage the Scheme and report to the Committee on a regular basis.

8.0 Tenor/Investment Period

- i. Investment made shall be for a maximum period of 10 years'
- ii. There shall be a 3-year lock up period before exit in order to encourage value creation and boost managerial capacity of the SMEs unless there is a material adverse event.
- iii. The Scheme shall be operated for a period of 10 years in the first instance and be reviewed after 5 years of its operations.

9.0 Modalities of the Scheme

- i. The participating banks shall set aside 5% of their PAT annually after their financial statements have been audited by external auditors and approved for publication by the Central Bank of Nigeria.
- ii. The fund shall be transferred to the CBN and warehoused in an account opened for the Scheme, within 10 working days after the Annual General Meeting (AGM) of the participating bank.
- iii. Eligible applicants shall submit applications through any of the participating banks to CBN.
- iv. CBN shall conduct initial review of the project to ensure the project is within the focal sectors of the Scheme. All projects that meet this requirement shall be forwarded to the Project Review Committee (PRC) of the Bankers' Committee through the Chairman, Sub-Committee on Economic Development, Sustainability and Gender.
- v. The PRC, which is made up of Chief Risk Officers (CROs) of the banks, shall appraise the project from the risk perspective and forward recommendations to the Board of Trustees (BoT) to be constituted by the Bankers' Committee for the purpose of the Scheme.
- vi. The BoT shall approve eligible projects for the release of funds by the CBN. All approved projects shall be forwarded to the CBN through the Chairman, Sub-Committee on Economic Development, Sustainability and Gender.
- vii. Bankers' Committee's investment in the investee company/project shall be distributed to participating banks in the proportion of their contribution to the Scheme on the investment date.
- viii. The Bankers' Committee shall be represented on the Board of the investee company/project as may be appropriate.

10.0 Compliance with existing laws and regulations

Banks' investments under the Scheme shall be in compliance with the provisions of Bank and other financial institutions Act (BOFIA), 1991 as amended.

11.0 Eligibility for Funding

To be eligible for funding under the Scheme, a prospective investor shall:

- i. Comply with the provisions of the Companies and Allied Matters Act (1990) such as

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- ii. filing of annual returns, including audited financial statements;
 - ii. Comply with all applicable tax laws and regulations and render regular returns to the appropriate authorities; and
 - iii. Apply through a participating bank.

12.0 Secretariat for the AGSMEIS

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

13.0 Monitoring and Reporting

There shall be joint monitoring of projects financed under the Scheme by the CBN and the Board of Trustees appointed by the Bankers' Committee. Reports of the monitoring exercise shall be submitted to the CBN and the Bankers' Committee.

14.0 Prudential Regulation

Contributions by participating banks shall form part of the eligible capital in the computation of Capital Adequacy Ratio.

Investment in SME will be risk-weighted in line with extant regulation.

15.0 Responsibilities of Stakeholders

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

15.1 The Central Bank of Nigeria

The CBN shall:

- i. Articulate clear guidelines for the implementation of the Scheme;
- ii. Monitor the implementation and gather statistics to quantify the impact of the scheme;
- iii. Ensure banks' comply with the guidelines of the Scheme;
- iv. Build capacity of operators, beneficiaries and participating banks;
- v. Disseminate information on the scheme to Agri-Business/SMEs and the larger

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- public;
 - vi. Provide periodic reports to the CBN Management on the performance of the scheme;
 - vii. Issue certificate of investment to participating banks for each project after verification; and
 - viii. Maintain the database of all investments under scheme.

15.2 The Bankers' Committee

The Bankers' Committee shall:

- i. Appoint a Board of Trustees to manage the fund;
- ii. Appoint a Project Review Committee to appraise applications;
- iii. Obtain the cooperation of all stakeholders;
- iv. Disseminate information on the Scheme to SME promoters and the larger public;
- v. Oversee joint collaborative efforts under the Scheme;
- vi. Monitor the implementation of the Scheme;
- vii. Appoint representative(s) to the Board of the investee company/project; and
- viii. Conduct capacity building.

15.3 Board of Trustees

The Board of Trustees shall:

- i. Conduct due diligence on applications submitted;
- ii. Approve eligible projects for release of funds by the CBN through the Economic Development Sub-Committee of the Bankers' Committee;
- iii. Make presentation and recommendations to the Bankers' Committee;
- iv. Prepare reports for the Bankers' Committee on the activities of the Scheme;
- v. Maintain the database of all investments under the Scheme; and
- vi. Perform all other duties as may be prescribed by the Bankers' Committee from time to time.

15.4 Project Review Committee

The Project Review Committee shall:

- i. Conduct risk appraisal of applications received from the CBN;
- ii. Prepare reports for the Board of Trustees on the activities of the Scheme; and

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- iii. Perform all other duties as may be prescribed by the Bankers' Committee from time to time.

15.5 Individual Banks

Individual banks shall:

- i. Provide funds for investment under the Scheme;
- ii. Comply with the guidelines of the Scheme;
- iii. Nominate representative on the project review committee;
- iv. Maintain records of their investment in the appropriate books; and
- v. Carry out any other duties as the CBN/Bankers' Committee may prescribe from time to time.

15.6 Beneficiaries

Beneficiaries shall:

- i. Ensure prudent utilisation of funds;
- ii. Keep up-to-date records on the companies' activities under the Scheme;
- iii. Make the companies' books, records and structures available for inspection by the appropriate authorities (including banks and the CBN) when required;
- iv. Comply with guidelines of the Scheme; and
- v. Provide monthly financial and operational reports to the SPV before the 15th of the next succeeding month.

**BANKERS' COMMITTEE
FEBRUARY 2017**

APPENDIX

Definition of Terms

1.0 The Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS)

This is a voluntary initiative of the Bankers' Committee approved at its 331st meeting held on 9th February, 2017 to support Federal Government's efforts and policy measures for the promotion of agricultural businesses and small and medium enterprises.

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 Small and Medium Enterprises (SME)

For the purpose of this scheme, the small and medium enterprises shall be as defined in section 4 of these guidelines.

4.0 Profit after tax (PAT)

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

5.0 Participating Bank

A Deposit Money Bank, Discount House or Merchant Bank licensed by the Central Bank of Nigeria to provide banking services in Nigeria and contributing 5% of its annual profit after tax to the AGSMEIS, in accordance with these guidelines.

6.0 Investee Company

Investee Companies is a company in which the Bankers' Committee, through the AGSMEIS, invests money in form of equity participation.

7.0 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.

8.0 Board of Trustees

A committee constituted by the Bankers' Committee to conduct final due diligence on applications received from the Project Review Committee. The Board of Trustees approves eligible projects for release of funds by the CBN.

9.0 Project Review Committee

A committee constituted by the Bankers' Committee, comprising Chief Risk Officers of the banks. The Project Review Committee receives reviewed applications from the CBN, appraises the risk and makes recommendations on eligible projects to the Board of Trustees.

All Enquiries and Returns should be addressed to:

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