



CENTRAL BANK OF NIGERIA

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CIRCULAR TO ALL DEPOSIT MONEY BANKS

MODALITIES FOR THE IMPLEMENTATION OF THE CREATIVE INDUSTRY FINANCING INITIATIVE (CIFI)

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

In furtherance of the above, the CBN hereby issues the modalities for the implementation of the initiative. These modalities may be accessed via the Bank's website www.cbn.gov.ng.

Further enquiries on the modalities may be referred to the Director, Development Finance Department, Central Bank of Nigeria, Abuja.

A handwritten signature in blue ink, appearing to read 'Joseph M. Gana'.

JOSEPH M. GANA

FOR: DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



CENTRAL BANK OF NIGERIA

**MODALITIES FOR THE IMPLEMENTATION OF THE
CREATIVE INDUSTRY FINANCING INITIATIVE**

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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">• Designers
Information Technology	<ul style="list-style-type: none">• Information Technology• Student Software Development Loan
Movie	<ul style="list-style-type: none">• Movie Distribution• Movie Production
Music	<ul style="list-style-type: none">• Music Production (Musicians)• Music Distribution

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 Loan	Movie Production	Movie Distribution
Single Obligor Limit	N3.0 million	N50.0 million	N500.0 million
Interest Rate	9.0% p.a. (all inclusive)	9.0% p.a. (all inclusive)	9.0% p.a. (all inclusive)

Tenor	3 years	10 years	10 years
Moratorium	9 months from date of loan disbursement	24 months from date of loan disbursement	24 months from date of loan disbursement
Repayment	Monthly	Quarterly	Monthly
Security Arrangement	<ul style="list-style-type: none"> • Minimum Equity Contribution - 0% • University degree certificate • NYSC certificate • Credible Guarantor • Personal Guarantee 	<ul style="list-style-type: none"> • Minimum Equity Contribution - 30% • Legal mortgage • All asset debenture • Credible Guarantor • Personal Guarantee 	<ul style="list-style-type: none"> • Minimum Equity Contribution - 30% • Legal mortgage • All asset debenture • Personal Guarantee
Other Conditions	<ul style="list-style-type: none"> • Must gain admission into a training organisation that has job placement contracts • No bad credit history with CRMS or any commercial banks in Nigeria • Preference for areas with low IT penetration 	<ul style="list-style-type: none"> • Minimum of three (3) years relevant experience • No bad credit history with CRMS or any commercial banks in Nigeria • Preference for areas with low cinema penetration 	<ul style="list-style-type: none"> • Minimum of three (3) years relevant experience • No bad credit history with CRMS or any commercial banks in Nigeria • Preference for areas with low cinema penetration
Funding Structure	<ul style="list-style-type: none"> • Minimum Equity Contribution - 0% • DMB (Term Loan) - 100% 	<ul style="list-style-type: none"> • Minimum Equity Contribution - 30% • DMB (Term Loan) - 70% 	<ul style="list-style-type: none"> • Minimum Equity Contribution - 30% • DMB (Term Loan) - 70%
Disbursement	In phases in accordance with agreed milestones	In phases in accordance with agreed milestones	In phases in accordance with agreed milestones
Repayment Source	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
Monetization (To be financed)	<ul style="list-style-type: none"> • Equipment purchase • Rental/service fees 	<ul style="list-style-type: none"> • Equipment purchase • Rental/service fees 	<ul style="list-style-type: none"> • Equipment purchase/rentals • Rental/service fees
Interest Rate	9.0% p.a. (all inclusive)	9.0% p.a. (all inclusive)	9.0% p.a. (all inclusive)
Tenor	10 years	10 years	10 years
Moratorium	36 months from date of loan disbursement	36 months from date of loan disbursement	36 months from date of loan disbursement
Repayment	Quarterly	Quarterly	Quarterly
Security Arrangement	<ul style="list-style-type: none"> • Minimum Equity Contribution - 20% • Mortgage debenture • Legal mortgage • Lien on stock of trade and items of equipment 	<ul style="list-style-type: none"> • Minimum Equity Contribution - 20% • Mortgage debenture • Legal mortgage • Lien on stock of trade and items of equipment 	<ul style="list-style-type: none"> • Minimum Equity Contribution - 20% • Mortgage debenture • Legal mortgage • Lien on stock of trade and items of equipment
Other Conditions	<ul style="list-style-type: none"> • At least three (3) referrals from recognised sponsors or bodies or associations. • Minimum of three (3) years relevant experience • No bad credit history with CRMS or any commercial banks in Nigeria 	<ul style="list-style-type: none"> • At least three (3) referrals from recognised sponsors or bodies or associations • Minimum of three (3) years relevant experience • No bad credit history with CRMS or any commercial banks in Nigeria 	<ul style="list-style-type: none"> • At least three (3) referrals from recognised sponsors or bodies or associations • Minimum of three (3) years relevant experience • No bad credit history with CRMS or any commercial banks in Nigeria
Funding Structure	<ul style="list-style-type: none"> • Minimum Equity Contribution - 20% • DMB (Term Loan) - 	<ul style="list-style-type: none"> • Minimum Equity Contribution - 20% • DMB (Term Loan) - 	<ul style="list-style-type: none"> • Minimum Equity Contribution - 20% • DMB (Term Loan)

	80%	80%	- 80%
Disbursement	In phases in accordance with agreed milestones	In phases in accordance with agreed milestones	In phases in accordance with agreed milestones
Repayment Source	From proceeds of the business	From the proceeds of sales or income from 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 on-lending to successful applicants.
- viii. The bank disburses funds 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.

7. Participating Financial Institutions (PFIs)

All deposit money banks (DMBs) 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.

10. Discontinuation of Credit Facility

Whenever a loan is repaid or the facility is otherwise discontinued, the PFIs shall advise the CBN immediately, giving particulars of the credit 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
May 2019**

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.

Participating Financial Institutions (PFIs)

Any Deposit Money Bank or 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