



CENTRAL BANK OF NIGERIA

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

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 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 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 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.**

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