



CENTRAL BANK OF NIGERIA

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

August 2018

1.0 Introduction

1.1 The Agri-Business, Small and Medium Enterprise Investment Scheme (AGSMEIS) (hereinafter called AGSMEIS or the Scheme) is an initiative of the Bankers' Committee established at its 331st Meeting held on February 9, 2017.

1.2 The Scheme supports government's policy measures for the promotion of agricultural businesses, micro, small and medium enterprises (MSMEs) as vehicles for sustainable economic development and employment generation.

2.0 Objectives of the Scheme

The objectives of the Scheme are to:

- 2.1 Improve access to affordable and sustainable finance by Agri-businesses, Micro, Small and Medium Enterprises (MSMEs)
- 2.2 Create employment opportunities in Nigeria
- 2.3 Boost the managerial capacity of agri-businesses and MSMEs to grow the enterprises into large corporate organizations in line with Federal Government's agenda to develop the real sector and promote inclusive growth.

3.0 Activities covered by the Scheme

Eligible activities under the Scheme are:

- 3.1 Businesses across the agricultural value chain, covering production, inputs supply, storage, processing, logistics and marketing.
- 3.2 MSMEs in the real sector including manufacturing, mining and petrochemicals.
- 3.3 MSMEs in the service sector including information and communication technology (ICT) and the creative industry.
- 3.4 Other activities as the Central Bank of Nigeria (CBN) may determine from time to time.

Financing under the Scheme shall be for start-ups, business expansion or revival of ailing companies and must be in compliance with provisions of BOFIA (1991) as amended

4.0 Funding

- 4.1 There shall be a fund known as 'AGSMEIS Fund' domiciled in a dedicated account with the CBN.
- 4.2 Each DMB shall set aside 5% profit after tax (PAT) annually as contribution to the Fund.
- 4.3 Each DMB shall transfer such contribution to the CBN not later than 10 working days after the Annual General Meeting (AGM) of the participating bank.

5.0 Governance of the Scheme

5.1 Board of Directors (BOD)

The Board of Directors (BOD) shall be constituted by the Bankers' Committee. The Board shall comprise:

- i. Five members of the Bankers' Committee.
- ii. Two representatives of the CBN (DDFD and DBSD).
- iii. The Managing Director/CEO of the SPV.
- iv. The Chairman shall be appointed from the members of the Board.

The Board shall have a tenure of 2 (two) years.

Meetings

- i. The Board shall meet quarterly in a year.
- ii. Minimum of 5 (five) members shall form a quorum of which at least one shall be a representative of the CBN.

5.2 Investment Vehicle

A Fund Manager shall be established to manage and monitor investments/projects under the equity component of the Scheme.

5.3 Secretariat

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

6.0 Application of the Fund

The application of the Fund shall be categorised into three broad components: debt, equity and developmental components.

- **Debt – 50%**
- **Equity – 45%**
- **Developmental – 5%**

7.0 Debt Component

The debt component shall constitute 50% of the fund which shall be disbursed as loans to eligible businesses through Deposit Money Banks (DMBs). The debt component shall comprise of term loan (including equipment finance*) and/or working capital where applicable.

*Asset purchased shall be registered with National Collateral Registry (NCR).

The terms of the loans shall be as follows:

- Loan limit:** N10,000,000
- Interest:** 5% per annum
- Tenor:** Up to 7 years (depending on the nature/gestation period of the project)
- Moratorium:** Maximum of 18 months for principal and 6 months on interest.

7.1. Documentation Requirements

7.1.1 Micro, Small and Medium Enterprises:

- Duly completed application form.
- Bank Verification Number (BVN).
- Certificate of Training from recognised Entrepreneurship Development Institution (EDI) or evidence of membership of organized private sector association.
- Letter of Introduction from any of the following, Clergy, Village Head, District Head, Traditional Ruler, senior civil servant, etc. (for individuals/micro enterprises only).
- Evidence of registration of business name or certificate of incorporation and filing of annual returns (where applicable) in compliance with the provisions of the Companies and Allied Matters Act (1990).
- Tax Identification Number (TIN) and current Tax Clearance Certificate (TCC) where applicable.

7.2 Modalities

7.2.1 Micro, Small and Medium Enterprises:

- Eligible applicants shall submit completed application form to the EDIs, Apex Trade Associations (ATAs) or DMBs where applicable.
- The EDIs, ATAs and DMBs shall collate, appraise and submit applications to CBN.

8.0 Equity/Corporate Debt Financing Component

The equity component shall constitute 45% of the Fund which shall be channelled through Fund Managers for equity and quasi-equity investments in agri-businesses and SMEs.

8.1 Equity investment

The terms of the equity investment shall be as follows:

- Limit:** Not more than 40% of investee company's equity (ordinary or preference shares) subject to a maximum of N2,000,000,000.
- Tenor:** Up to 10 years with an initial lock up period of 3 years.

The Articles of Association of the investee company shall not have a covenant prohibiting divestment of equity investment of the Scheme.

At the time of divestment, shareholders of the investee company shall have the right of first refusal.

Other terms to be determined by the Fund Manager

8.2 Quasi-equity Investment

The Quasi-equity investment shall include convertible stocks/bonds and debenture.

- i. **Limit:** subject to a maximum of N2,000,000,000
- ii. **Tenor:** Up to 10 years

Other terms to be determined by the Fund Manager

8.3 Appointment of Fund Manager

The Board shall appoint two (2) local, experienced Private Equity (PE) managers to act as Fund Managers or Coordinators of the AGSMEIS Equity Fund. The Fund Manager shall identify suitable SMEs to invest the Fund.

8.4 Modalities:

- i. Eligible applicants shall submit application to the Fund Manager.
- ii. The Fund Manager shall appraise and forward successful application(s) to the Board for approval through the secretariat.
- iii. The secretariat shall forward approved applications to the DMBs for disbursement of funds to the investee company.

9.0 Developmental Component

The developmental component of the Scheme shall be for capacity building and technical assistance to MSMEs as well as operational costs of the Scheme. It shall constitute 5% of the Fund.

10.0 Risk Management

A risk management framework shall be developed for the Scheme and approved by the Board.

11.0 Monitoring and Evaluation

The Secretariat shall ensure adequate monitoring and evaluation of the projects and render periodic reports to the Board.

12.0 Responsibilities of Stakeholders

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

12.1 The Central Bank of Nigeria

The CBN shall:

- i. Articulate guidelines for the implementation of the Scheme.
- ii. Ensure that 5% of profit after tax of DMBs is set aside for the Scheme.
- iii. Monitor the implementation of the Scheme.
- iv. Ensure DMBs and Fund Managers comply with the Guidelines.
- v. Disseminate information on the Scheme to Agri-Business, MSMEs and other stakeholders.
- vi. Be the custodian of the Fund.
- vii. Provide periodic reports on performance of the Scheme.
- viii. Maintain records of loans and equity investments under the Scheme.
- ix. Serve as the Secretariat.

9.2 The Bankers' Committee

The Bankers' Committee shall:

- i. Appoint a Board of Directors to oversee the Scheme.
- ii. Disseminate information on the Scheme to Agri-business, MSME promoters and the public.
- iii. Oversee the implementation of the Scheme.

9.3 Board of Directors (BOD)

The Board of Directors shall:

- i. Provide policy direction for the implementation of the Scheme.
- ii. Appoint indigenous private equity managers to act as Fund Managers for the equity component.
- iii. Determine the terms and conditions of the Fund Managers.

- iv. Appoint External Auditors for the Fund and determine their remuneration.
- v. Approve audited financial statement.

9.4 Secretariat

The Secretariat shall:

- i. Review all financing applications;
- ii. Oversee the management of investments in SMEs on behalf of the Scheme
- iii. Ensure adequate monitoring and evaluation of the projects and render periodic reports to the Board.
- iv. Maintain the database of all investments under the Scheme;
- v. Render reports on the Scheme.
- vi. Comply with the guidelines of the scheme.

9.5 Fund Managers

The Fund Manager shall:

- i. Identify suitable SMEs for investment.
- ii. Conduct due diligence on applications submitted.
- iii. Submit an Investment Committee Memo on companies being financed.
- iv. Report on the activities of the investment to the CBN.
- v. Provide technical support to agri-business and MSMEs to enhance the profitability of the investments.
- vi. Prepare periodic financial statements.
- vii. Submit the audited financial statements to stakeholders
- viii. Exit the investment and remit proceeds to the CBN as stipulated in the investment agreement.
- ix. Maintain a database of investments under the Scheme.
- x. Prepare the risk management report on their portfolios.
- xi. Appoint representatives with relevant skills on the Board of the investee company.
- xii. Comply with the Guidelines of the Scheme.

9.6 Deposit Money Banks

The DMBs shall:

- i. Set aside 5% of profit after tax (PAT).
- ii. Disburse funds for debt financing to qualified enterprises or equity investment to the investee company.
- iii. Maintain records of all such disbursements.
- iv. Conduct due diligence and appraise the applications to be submitted to the secretariat.
- v. Remit principal and interest to the CBN as and when due.
- vi. Comply with the Guidelines.
- vii. Carry out any other duties as the CBN/Bankers' Committee may prescribe from time to time.

9.7 Beneficiaries

Beneficiaries shall:

- i. Allot shares and issue certificate of investment to the secretariat (where applicable).
- ii. Ensure prudent utilisation of funds.
- iii. Keep up-to-date records on the companies' activities under the Scheme.
- iv. Make the companies' books, records and structures available for inspection by the appropriate authorities (including the Fund Manager, and the CBN) when required.
- v. Make repayments as and when due.
- vi. Comply with Guidelines of the Scheme.

10.0 Infractions and Sanctions

- (i) DMB that fails to disburse or invest the fund within 14 days of receipt to the investee shall be liable to a penalty at their maximum lending rate for the period the fund was not disbursed.
- (ii) Fund Manager that fails to repatriate funds realized from divestment from investee projects within 5 working days to the CBN shall be charged its maximum cost of funds and barred from further participation in the Scheme.
- (iii) Beneficiaries that divert funds shall have their loan facility called in immediately.
- (iv) Any other breach of these Guidelines shall attract penalties as prescribed under the provisions of the BOFIA.

11.0 All enquiries should be addressed to:

Director,
Development Finance Department,
Central Bank of Nigeria, Corporate Headquarters
Central Business District
Abuja.

Tel: No.: +234 9 4623 8600

12.0 Amendments

This Guidelines shall be subject to review from time to time by the Central Bank of Nigeria.

CENTRAL BANK OF NIGERIA
AUGUST 10, 2018

APPENDIX

Definition of Terms

1.0 Bankers' Committee

The Bankers' Committee is made up of the Governor of the CBN, the Managing Director of the Nigeria Deposit Insurance Corporation (NDIC) and the Managing Directors/CEOs of all deposit money banks (DMBs) in Nigeria.

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 Profit after tax (PAT)

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

4.0 Participating Financial Institutions(PFIs)

Any Deposit Money Bank (DMB) licensed by the Central Bank of Nigeria to provide banking services in Nigeria.

5.0 Investee Company

Investee Companies is a company in which the Fund Managers make equity investment on behalf of the Bankers' Committee.

6.0 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.

7.0 Entrepreneurship Development Institution (EDI)

A duly registered Government run or privately owned Institution with the mandate to develop the entrepreneurial abilities/vocational skills among Nigerians needed to establish and successfully run a business enterprise.

8.0 Apex Trade Association (ATA)

A duly registered body/organization that oversees the operations of a specific trade/business sector or industry.

9.0 Board of Directors

A board constituted by the Bankers' Committee to conduct due diligence on applications received from the participating banks/Fund Managers

10.0 Fund Managers

Private equity investors licensed by SEC and appointed by the BOD