



## **N300 BILLION REAL SECTOR SUPPORT FACILITY (RSSF) GUIDELINES**

### **1. Introduction**

The Central Bank of Nigeria, as part of the efforts to unlock the potential of the real sector to engender output growth, value added productivity and job creation has established a N300 billion Real Sector Support Facility (RSSF). The Facility will be used to support large enterprises for startups and expansion financing needs of N500 million up to a maximum of N10.0 billion. The real sector activities targeted by the Facility are manufacturing, agricultural value chain and selected service sub-sectors. These Guidelines relate to the operational modalities of the RSSF.

### **2. Objectives of the Facility**

The objectives of the Facility are to:

- i. Improve access to finance by Nigerian SMEs to fast-track the development of the manufacturing, agricultural value chain and services sub-sectors of the Nigerian economy.
- ii. Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis.

### **3. Management of the Facility**

The Development Finance Department of the Central Bank of Nigeria shall be responsible for the day-to-day administration of the Facility.

### **4. Activities to be covered under the Facility**

The activities to be covered under the Facility are new, startups and or expansion projects in the following sub-sectors:

- i. Manufacturing: Any entity is adjudged to be a “Manufacturer” if it:
  - a. Is involved in the production and processing of tangible goods
  - b. Fabricates, deploys plants, machinery or equipment to deliver goods or provide infrastructure to facilitate economic activity in the real sector; and such entity must not be involved in the financial services industry

The manufacturers include Small and Medium Scale Enterprise (SMEs) defined as an entities with an asset base (excluding land) of between N5million and N500 million and with labour force of above 11.

- ii. Agricultural Value Chain
- iii. Services (hospitals, schools and hotels)

**Trading activities shall not be accommodated under this Facility.**

## **5. Types of Facilities**

- i. Long term loan for acquisition of plant and machinery
- ii. Working capital

## **6. Eligibility Criteria for Participation in the Facility**

### **6.1. Participating Financial Institutions (PFIs)**

All Deposit Money Banks (DMBs) and Development Finance Institutions (DFIs).

### **6.2. Borrower**

A borrower shall meet the following criteria to be eligible:

- a. Any entity falling within the definition of an SME and/or manufacturer
- b. An entity wholly-owned and managed Nigerian private limited company registered under the Companies and Allied Matters Act of 1990.
- c. A legal business operated as a sole proprietorship
- d. May be a member of the relevant Organised Private Sector Associations such as MAN, NASME, NACCIMA, NASSI e.t.c.

## **7. Modalities of the Facility**

- i. Loan Amount - Loan amount is minimum of N500.0 million up to a maximum of N10.0 billion for a single obligor. Any amount above N10 billion requires the special approval of Management.
- ii. Interest Rate - The Facility shall be administered at an all-in Interest rate/charge of 9 per cent per annum payable on quarterly basis. *Specifically, the Central Bank of Nigeria shall disburse the Facility to Deposit Money Banks (DMBs) at 3 per cent interest rate and the DMBs shall have a 6 per cent spread.*
- iii. Repayment – Repayments under this facility shall be amortized.

## **8. Loan Tenor**

- i. Loans shall have a maximum tenor of 15 years depending on the complexity of the project and shall terminate on 31<sup>st</sup> December, 2030. Each project tenor shall be determined in relation to its cash flow and life of the underlying collateral.

- ii. Working capital facility of 1 year with provision of roll over for a maximum of 3 years.
- iii. The Facility allows for moratorium of 1 year in the loan repayment schedule.

## **9. Mechanism for the Facility**

- i. Participating Financial Institutions (DMBs, DFIs) shall receive, process, approve and forward requests for the facility from their customers (15 days).
- ii. Each request must be accompanied by the following documents:
  - a. Project business plans which should state expressly, the:
    - Estimated project costs,
    - Financing plan,
    - Economic benefits (jobs, capacity, trade volume, foreign exchange where applicable, etc),
    - Environmental impact,
  - b. Audited Accounts (3 years) and Statement of Affairs for a startup yet to commence operations.
  - c. Copies of duly executed offer documents between the bank and the loan applicants
  - d. Certificate of Incorporation evidencing the incorporation of the Company with the Corporate Affairs Commission
  - e. Brief on directors.
- iii. Within 7days of the receipt of the banks' requests, Central Bank of Nigeria shall inform the banks of the status of their application.
- iv. Upon approval, a loan agreement shall be executed by on-lending CBN and each bank for each individual loan.
- v. Prior to the disbursement of the loan, each bank would be required to deposit with Central Bank of Nigeria, securities with market value of not less than 120% of its specified loan amount. Eligible securities shall include the following:
  - a. Nigerian Treasury Bills
  - b. FGN Bonds
  - c. Other Bonds backed by the guarantee of the Federal Government
  - d. Any other securities acceptable to the CBN
- vi. As a result of the repo of securities for this fund, the following prudential treatment shall be accorded throughout the tenor of the loan.
  - a. The amount disbursed shall be treated as a Term Loan.
  - b. The Term Loan shall not form part of the bank's deposit liabilities for the purpose of liquidity and cash reserve ratio computations.
  - c. The Term Loan shall not be liable for NDIC premium charges.

- d. The securities 'repo-ed' shall continue to count as part of the bank's liquid assets for the purpose of Liquidity Ratio Computation.

## **10. Verification/Monitoring of Projects**

- i. Projects under the Facility shall be subject to verification by the CBN. Acceptance or rejection of an application for the facility shall be communicated to the PFIs and the borrower within 15 working days after verification.
- ii. The project shall be subject to monitoring by the CBN and PFIs during the loan period.
- iii. Central Bank of Nigeria has the right to reject a request from any PFIs that contravenes any section of the Guidelines.

## **11. Responsibilities of Stakeholders:**

For the effective implementation of the Facility and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

### **11.1. The CBN**

The Central Bank of Nigeria shall:

- i. Articulate clear guidelines for the implementation of the Facility
- ii. Provide Fund for the Facility
- iii. Determine the limits of the Facility.
- iv. Carry out verification/monitoring of projects under the Facility.
- v. Monitor the implementation of the Facility and publish periodic reports on its performance.
- vi. Build capacity and sensitise stakeholders
- vii. Review the Facility guidelines as may be necessary from time to time

### **11.2. The Participating Financial Institutions (PFIs)**

The PFIs shall:

- i. Grant credit facilities to activities covered under the Facility at an interest rate of 9% p.a.;
- ii. Approve requests under the Facility based on normal business consideration and exercising appropriate due diligence;
- iii. Forward such approved requests to CBN for funding under the Facility
- iv. Provide the required collateral for the approved requests as specified in 9.0 above
- v. Render periodic returns under the Facility as may be specified by the CBN from time to time;
- vi. Monitor the projects during the loan period.
- vii. Comply with the guidelines of the Facility

### **11.3. Borrower**

The borrower shall:

- i. Utilise the funds granted under the Facility for the purpose for which it was granted.
- ii. Insure the project being financed.
- iii. Adhere strictly to the terms and conditions of the Facility.

- iv. Make the project and records available for inspection/verification by the CBN.
- v. Comply with the guidelines of the Facility.

## **12. Discontinuation of a 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 CBN Account.

## **13. Amendments**

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN.

## **14. 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: 234-09-46238600

**Development Finance Department**

**Central Bank of Nigeria,**

**Abuja.**

**December, 2014**