



SOURCES OF LOANS AVAILABLE FOR SMEs AND HOW THEY WILL SECURE THEM

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**A PAPER PRESENTED AT THE SME TRAINING ON COVID-19
PANDEMIC FOR 2020 PROCUREMENT SEASON**

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LIST OF ACRONYMS AND ABBREVIATIONS

S/N	TERMINOLOGIES	ACRONYMS
1	Agri-Business/Small and Medium Enterprise Investment Scheme	AGSMEIS
2	Anchor Borrowers Programme	ABP
3	Accelerated Agricultural Development Scheme	AADS
4	Bank of Industries	BOI
5	Creative Industry Financing Initiative	CIFI
6	Federal government of Nigeria	FGN
7	Healthcare Sector Research and Development Intervention Scheme	HSRDIS
8	Micro, Small and Medium Enterprises Development Fund	MSMEDF
9	Nigerian Export Import bank	NEXIM
10	Non Interest Financial Institutions	NIFIs
11	Nigeria Incentive-Based Risk sharing for Agricultural Lending	NIRSAL
12	Participating Financial Institutions	PFI
13	Small and Medium Enterprises Development Agency	SMEDAN
14	Small and Medium Enterprises	SMEs

OBJECTIVES:

In the course of this presentation, all participants are expected to be able to achieve the following objectives:

- **To understand the Economic Impacts of COVID-19 pandemic on SMEs.**
- **To know the measures taken by the government to relieve and help the SMEs survive the COVID-19 Pandemic through both interest free and single digit loans/interventions, Conditional Grants/Support among others.**
- **To highlight how the state government will help SMEs in securing various loans and grants to finance their businesses**

INTRODUCTION:

Federal Government in its effort to reduce the rate of unemployment, encourage Micro, Small and Medium Enterprises especially in the agricultural sector ordered CBN to launch several Business Financing Programs such as AGSMEIS Loan, Anchor Borrower Program, AADS Loans among others.

With the emergence of COVID-19 in Nigeria on the 27th February, 2020 in Lagos, the Nigerian government join the countries that suffered and is still suffering the severe economic consequences by the pandemic of which in an attempt to address the problem through number of containment measures such as closure of working places and businesses like markets, schools, also restrictions of internal and international travels, social distancing, lockdowns among others badly hit and frozen the economic activities in Nigeria causing massive job losses and supply chain disruptions.

These economic impacts of COVID-19 pandemic calls for the Federal Government of Nigeria through Ministry for Industries Trades and Investment and Central bank of Nigeria (CBN) to introduce new loan opportunities like COVID-19 support loans, Conditional Grants for economic sustainability and doubled the existing loans in order to ensure that businesses across all sectors of the country's economy sustained their operations aftermath the COVID-19 pandemic.

ECONOMIC SUSTAINABILITY CONDITIONAL GRANTS TO MSMEs

The Federal Government of Nigeria just commenced nationwide implementation of two MSMEs initiatives namely;

- **The MSME Survival Fund with the Payroll support track as the first scheme to rollout (60 Billion Naira) and**
- **The Guaranteed Offtake Scheme (15 Billion Naira) to help cushion the impact of the COVID-19 pandemic with a view to boosting the economy by saving existing jobs and creating new job opportunities.**

1. MSME SURVIVAL FUND

- The MSME Survival Fund is a conditional grant to support vulnerable micro and small enterprises in meeting their payroll obligations and safeguard Jobs in the MSMEs sector. The scheme is estimated to save not less than 1.3 million jobs across the country and specifically impact on over 35,000 individuals per state.
 - **Duration:** The scheme will be implemented over an initial period of three months in order to provide immediate relief from the economic impact of the pandemic.
- Target Beneficiaries:** The scheme targets two categories of beneficiaries namely; employees of MSMEs and Self-employed individuals, both schemes have made provision for a 45% female business participation and special needs participation of 5%.

REQUIREMENT FOR THE MSMEs SURVIVAL FUND SCHEME:

- **A. Employees' company** Must be registered in Nigeria under the Corporate Affairs Commission, CAC
 - B. Must have BVN by company CEO
 - C. Must have a staff strength of no less than 3 persons
 - D. Must be owned by a Nigerian
- **Self-employed Individuals** in the following categories
 - A. Service providers in the transportation sector, i.e. Bus drivers, Taxi drivers, Ride share drivers and Mechanics.
 - B. Artisans, Electricians Plumbers etc.

FEATURES OF MSME SURVIVAL FUND

- **Payroll Support:** Support 500,000 vulnerable MSMEs in meeting payroll obligations of between N30,000 to N50,000 per employee over 3 months
- **Formalisation Support:** provide free CAC Business Name registration for 250,000 new businesses
- **General Grant:** Support the survival of 100,000 businesses most affected by the COVID-19 pandemic with N50,000 each
- **Artisan/Transport Support:** provide 333,000 artisans and transport business operators with a N30,000 operations grant to reduce the effects of income loss.

2. TAKE – OFF SCHEME

- **Guaranteed Off-take Scheme** is aiming at ensuring continued local production and safeguarding of 100,000 existing small businesses to save 300,000 jobs.
- Priority products include processed foods, personal protective equipment, hand sanitizers, face-masks, face-shield, shoe-covers and pharmaceuticals.
- The implementation committee chaired by Ambassador Mariam Katagum, Minister of the Federal Ministry of Industry Trade and Investment, will collaborate with private sector MSME associations to verify and screen applications from bidding MSMEs, define quantity and price of products required, and also get participants to join in the procurements.

CBN LOANS AND GRANTS FOR SMES AND MSMES

The Central Bank of Nigeria (CBN) in its bid to ensure that businesses across all sectors of the country economy sustain their operations before and aftermath the COVID-19 pandemic, launched both interest free and several single digit loan opportunities usually at 9% to eligible individuals usually youth between the ages of 18 to 35 and both registered and non formalized Micro, Small Scale and Medium Enterprises and corporate bodies who are to received their approved loan/ grant sum through their accounts after signing the conditions with any of the Participating Financial Institutions (PFI) of their choice such as NIRSAL Bank, Commercial Banks like First bank, Eco bank etc. Interest Free banks such as Ja'iz, Sterling, Taj banks etc. Nigerian Export Import bank (NEXIM), Small and Medium Enterprises Development Agency (SMEDAN), Bank of Industries (BOI) among others. The state governments are to provide infrastructures, Trainings and Workshops, Enabling Environment, required agricultural land, Security Etc. for the program.

Non –Interest financing contracts are to use Murabaha (Cost plus mark up), Ijarah (Lease to Own), Istisna (Manufacture/Construction and sale) etc. with an inclusive rate of return of 9% per annum including financing of labour.

Stake holders of the programs comprise of the Federal government of Nigeria (FGN), Central Bank of Nigeria (CBN), State Governments/FCT Abuja, Project Monitoring Team, Participating Financial Institutions (PFIs), Participating Insurance Companies etc. The requirements, Eligibility, Funding, Modalities etc. for the loans/ Fund supports varies with the form of facility an applicant is applying, for more details you are advised to visit www.cbn.gov.ng/circulars.as as this paper is aiming at introducing the participants to the schemes for their benefit which is one of the state government role in the scheme.

LOANS OPPORTUNITIES AND FUND INTERVENTIONS BY THE CBN

- **AGSMEIS Loan For SME'S And Agricultural Businesses Without Collateral**
- **Anchor Borrowers Programme (ABP) Intervention For Agriculture**
- **Accelerated Agricultural Development Scheme (AADS Loan)**
- **MSMEDF Loan – Micro, Small and Medium Enterprises Development Fund**
- **Creative Industry Financing Initiative (CIFI Loan)**
- **CBN Healthcare Research And Development Grants**

1) CBN AGSMEIS LOAN FOR SME'S AND AGRICULTURAL BUSINESSES WITHOUT COLLATERAL

The Central Bank of Nigeria (CBN) and the Bankers' Committee, created the Agri-Business/Small and Medium Enterprise Investment Scheme AGSMEIS Loan, as an initiative to support the Federal Government's efforts in the promotion of agricultural businesses and small/medium enterprises (SMEs) in the country, an individual/Business Organization can apply for the Loan without collateral for the AGSMEIS loan is been disbursed by NIRSAL Microfinance Bank and other Banks. Interested Nigerian engaged in Agriculture or other SME businesses can access up to N10 Million from the AGSMEIS Loan, at a single-digit interest rate of 9% per annum. Visit www.cbn.gov.ng/circulars.as for the requirements and application process.

2) CBN ANCHOR BORROWERS PROGRAMME (ABP) INTERVENTION FOR AGRICULTURE

The Anchor Borrowers Programme (ABP), is an initiative of the Central Bank of Nigeria (CBN) for the agricultural sector, it is in line with its developmental function of the apex bank. The loan shall be targeted at smallholder farmers engaged in the production of identified commodities across the country. The Farmers should be in groups/cooperative(s) of between 5 and 20 for ease of administration. The ABP is not solely for farmers, businesses can also apply to become the Anchor (private large-scale integrated processors) and Inputs Suppliers. Click www.cbn.gov.ng/circulars.as to read more about the programme.

3) CBN NON-INTEREST ACCELERATED AGRICULTURAL DEVELOPMENT SCHEME (AADS Loan)

The objective of the Accelerated Agricultural Development Scheme (AADS) according to CBN, is to engage a minimum of 370,000 youths in agricultural production across the country over the next three years in order to reduce unemployment among the youths in the country and increase agricultural production towards food security, job creation, and economic diversification. The beneficiary must be a Nigerian youth with the ages of 18 to 35 years and must sign an undertaking to abide by the terms of agreement of the Scheme – to read more on [Accelerated Agricultural Development Scheme \(AADS\)](#), visit www.cbn.gov.ng/circulars.as

4. CBN MSMEDF LOAN – MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT FUND

After identifying the huge financing gap which hinders the development of MSMEs, the Central Bank of Nigeria (CBN) as part of its developmental role and mandate of promoting a sound financial system launched the Micro, Small and Medium Enterprises Development Fund – Read more about [CBN MSMEDF Loan](http://www.cbn.gov.ng/circulars.as) by visiting www.cbn.gov.ng/circulars.as

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

5) CBN LOAN FOR THE CREATIVE INDUSTRY FINANCING INITIATIVE (CREATIVE INDUSTRY LOAN)

The Central Bank of Nigeria (CBN) in collaboration with the Bankers' Committee developed a Creative Industry Financing Initiative (CIFI), also known as Creative Industry loan to boost job creation in Nigeria, especially among young people, who are the most active in the creative industry. The aim according to CBN, is to improve access to long-term low-cost financing for entrepreneurs and investors in the Nigerian creative and information technology (IT) sub-sectors. Visit www.cbn.gov.ng/circulars.as to read more about [CBN Creative Industry Financing Initiative](#)

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6) CBN GUIDELINES ON HOW TO ACCESS HEALTHCARE RESEARCH AND DEVELOPMENT GRANTS

The Central Bank of Nigeria (CBN) has released the guidelines for interested candidates to access funds under the Healthcare Sector Research and Development Intervention Scheme (HSRDIS) grant. The Healthcare Research And Development Grant, according to CBN, aims to strengthen the public healthcare system with innovative financing of research and development (R&D) in new and improved drugs, vaccines and diagnostics of infectious diseases in Nigeria and is accessible to biotechnological and pharmaceutical companies, institutions, researchers, and research institutes for the research and development of drugs, herbal medicines, and vaccines for the control, prevention, and treatment of infectious diseases. Download [Healthcare RnD Intervention Full Guidelines](#)

CONCLUSIONS AND RECOMENDATION

Based on this presentation plus the loan schemes that the participants actually confirmed its disbursement like COVID-19 Loans together with take-off scheme and survival fund Grants chairing by Ambassador Mariam Katagum that just commenced, it is certain that you will all agree that Government really responded to the calls from both within and outside Nigeria in joining the rest of the world by offering liquidity interventions to support MSMEs, SMEs and Corporate bodies in addressing immediate liquidity challenges, reduce lay-offs and avoid firm closures and bankruptcies. It is off to eligible applicants to benefit from the programs.

This medium will also be used to recommend government to consider the following even though some of them have been averagely looked at in order to stimulate the sustainable development of the economic sectors and liquidity flows in to the economy:

- i) Tax rate should further be reduced**
- ii) Taxable income should also be reduced**
- iii) Tax credit should be offered**
- iv) Tax refund should also be offered**
- v) All outstanding arrears against supplies made to government should be settled**

THANK YOU AND GOD BLESS !!!