

# NATIONAL ECONOMIC RECONSTRUCTION FUND ACT

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## ARRANGEMENT OF SECTIONS

### SECTION

1. Establishment, aims and objectives of the National Economic Reconstruction Fund.
2. Eligibility.
3. Establishment and composition of the National Economic Reconstruction Committee, etc.
4. Establishment of a monitoring office, etc.
5. Functions and obligations of participating banks.
6. Functions of the Fund.
7. Interest rates.
8. Funding sources.
9. Audit.
10. Reports.
11. Proceedings of the Committee.
12. Interpretation.
13. Short title.

**An Act to establish the National Economic Reconstruction Fund, to correct, inadequacies in the provision of medium to long-term financing to small and medium-scale industrial enterprises, provide medium and long-term credit to commercial banks for on-lending and for matters connected therewith.**

[1989 No. 2.]

[9th January, 1989]

[Commencement.]

### **1. Establishment, aims and objectives of the National Economic Reconstruction Fund**

(1) There is hereby established a fund to be known as the National Economic reconstruction Fund (in this Act referred to as "the Fund").

(2) The aims and objectives of the Fund shall be to---

(a) correct any observed inadequacies in the provision of medium to long-term financing to small and medium-scale industrial enterprises, especially manufacturing and agro-allied enterprises and ancillary services;

(b) provide medium to long-term loans to participating commercial and merchant banks for on-lending to small and medium-scale enterprises for the promotion and acceleration of productive activities in such enterprises;

(c) facilitate the provision of loans with five to ten year maturity, including a grace period of one to three years, depending on the nature of the enterprise or project;

(d) provide such loans either in naira or in foreign currencies or both currencies according to the sources of funds available to the Fund and the requirements of the eligible enterprise or project.

## **2. Eligibility**

(1) Manufacturing and agro-related projects, mining, quarrying, industrial support services, equipment leasing and such other enterprises or projects ancillary thereto shall be eligible for loans under this Act if—

(a) the enterprise or project is wholly owned by Nigerians;

(b) the enterprise or project is small or medium-scale and its fixed assets, other than land, including the cost of the investment project, does not exceed N 100 million; and

(c) in the case of a manufacturing enterprise or project, at least 40% of its raw materials and other production inputs is at present locally derived or at least 60% shall, by 30 September 1990, be so derived.

(2) In granting loans under this Act, preference shall be given to enterprises or projects located in the rural areas.

## **3. Establishment and composition of the National Economic Reconstruction Committee, etc.**

(1) There is hereby established a committee to be known as the National Economic Reconstruction Fund Committee (in this Act referred to as "the Committee") which shall comprise—

(a) the Minister or his representative as chairman;

(b) the Governor of the Central Bank of Nigeria or his representative;

(c) the Fund General Manager;

(d) one representative of commercial banks;

(e) one representative of merchant banks;

(f) one representative of development banks; and

(g) one representative of the Federal Ministry of Finance who shall be the secretary to the Committee.

(2) The three representatives of the banks shall be appointed by the President, on the recommendation of the Minister.

(3) The status of the representatives of the banks shall not be less than that of assistant general manager.

(4) The Committee shall administer the Fund and perform such other functions as are conferred upon it by this Act.

(5) The members of the Committee, other than ex-officio members, shall be paid such allowances as may be determined, from time to time, by the Minister.

(6) The quorum of the Committee shall be four.

## **4. Establishment of a monitoring office, etc.**

(1) For the day-to-day operations of the Fund, there shall be established a monitoring office to be located at the Federal Ministry of Finance.

(2) The monitoring office shall be headed by a Fund General Manager who shall be appointed by the President, on the recommendation of the Minister.

(3) The Fund General Manager shall, subject to the control of the Committee, be responsible for the management of the Fund and perform such other functions as the Committee may, from time to time, assign to him.

(4) The Committee may appoint such other employees as it may deem necessary to assist the Fund General Manager in the performance of his functions under this Act.

(5) The Fund General Manager and the other employees of the monitoring office shall be persons of proven professional competence and be drawn from the Central Bank of Nigeria or other commercial and merchant banks.

(6) The Fund General Manager and other employees of the Fund shall be paid such remuneration, allowances and other benefits as the Fund may, with the approval of the Minister, determine.

**5. Functions and obligations of participating banks**

(1) The participating banks shall-

~~(a)~~ provide the working capital required by eligible enterprises and projects under this Act;

~~(b)~~ evaluate eligible enterprises and projects and approve loans in accordance with the practice of the particular banks and be responsible for the disbursement, monitoring and recovery of the loans;

~~(c)~~ collect from its customers all loan repayments and agreed interest and pay to the Fund the amounts due to it on or before the due date;

~~(d)~~ be responsible for any commercial or market risk involved in any loan granted pursuant to this Act.

(2) Each participating bank shall disburse funds to approved enterprises or projects not later than three working days of release of the funds by the Fund to the participating bank.

(3) Loan agreements showing disbursement and repayment schedules shall be deposited by each participating bank with the monitoring office.

(4) For loans disbursed in foreign currency, repayment by the participating banks shall be the naira equivalent of the amount of repayment due, at the prevailing exchange

rate on the date of repayment in the inter-bank dealing of the Autonomous Foreign Exchange Market.

**6. Functions of the Fund**

~~(1)~~ The Fund shall provide medium to long-term finance to participating banks for on-lending to eligible enterprises or projects.

(2) The Fund shall be responsible for the disbursement to, and recovery from, participating banks of all loans made to them for on-lending to enterprises and projects approved pursuant to this Act.

(3) Unless a participating bank has pre-paid all the amounts due on the loan before the scheduled repayment date, the Fund shall inform the Central Bank of Nigeria of any amount outstanding at that date and it shall be the duty of the Central Bank of Nigeria to debit the account of the participating bank concerned at the Central Bank of Nigeria with the amount outstanding on the particular loan and credit that amount to the account of the Fund.

(4) In order to meet foreign obligations promptly, the Fund General Manager shall procure the foreign currency required to service the Fund's foreign currency loans and hold such component of foreign exchange acquired in income-bearing securities or deposits, and repay its loans as per scheduled repayment dates from the component so held.

(5) The Fund shall be self-financing, service its loans and meet administrative expenses from its own resources, and shall not receive any government subvention except as provided under section 8 of this Act.

#### **7. Interest rates**

(1) The naira loans made by the Fund shall be at interest rates slightly lower than the prevailing commercial rates in Nigeria.

(2) The naira interest rate for each loan shall be fixed for the duration of the loan.

(3) The Fund shall charge the participating banks not more than one percentage point above its borrowing rate.

(4) Participating banks shall be allowed a maximum spread of four percentage points above the rate charged by the Fund.

(5) Interest rates chargeable by the Fund on foreign currency loans shall differ from currency to currency but shall be limited to a spread of one percentage point above the Fund's borrowing rate in each currency.

(6) The interest rate chargeable on foreign currency loans shall reflect the agreed terms on which the loans were made available to the Fund.

(7) Any profit made by the Fund shall be applied towards increasing the reserves of the Fund.

#### **8. Funding sources**

Without prejudice to future capital increase, the Fund shall commence operation with an initial funding in the following amounts or any part thereof, that is-

(a) Federal Government of Nigeria, #200 million;

(b) Central Bank of Nigeria, N 100 million;

(c) counterpart funding from the World Bank, the African Development Bank, Export Credit Agencies, Governments, Banks and other organisations or any such fundings as may be acceptable to the Committee.

#### **9. Audit**

(1) The Fund shall be audited, not later than three months after the end of each year, by an auditor appointed by the Committee from the list of qualified auditors submitted by the Auditor-General for the Federation.

(2) The audited accounts, the auditor's report and the comments of the Committee thereon, shall be submitted to the Federal Government not later than three months after the receipt of the audited account.

#### **10. Reports**

(1) The Fund General Manager shall submit monthly reports on the operation of the Fund to the Committee.

(2) The Committee shall submit reports on the activities of the Fund every quarter and every 31 December of each year to the Federal Government.

## **11. Proceedings of the Committee**

(1) The Committee shall have power to regulate its own proceedings and may make standing orders not inconsistent with this Act for that purpose, and subject to such standing orders, may function notwithstanding any vacancy in its membership or the absence of a member.

(2) The Committee shall meet for the performance of its functions under this Act whenever the chairman convenes a meeting of the Fund.

(3) Where, upon any special occasion, the Committee desires to obtain the advice of any person on any particular matter, the Committee may co-opt that person to be a member for as many meetings as may be necessary and that person shall, while so co-opted, have all the privileges of a member except that he shall not be entitled to vote or count towards a quorum.

## **12. Interpretation**

In this Act, unless the context otherwise requires-

**"Committee"** means the National Economic Reconstruction Committee appointed pursuant to section 3 of this Act;

**"Fund"** means the National Economic Reconstruction Fund established under section 1 of this Act;

**"Minister"** means the Minister charged with responsibility for matters relating to finance;

**"participating banks"** means the commercial and merchant banks involved in granting loans to eligible enterprises and projects under this Act.

## **13. Short title**

This Act may be cited as the National Economic Reconstruction Fund Act.

## **SUBSIDIARY LEGISLATION**

*No Subsidiary Legislation*