

EMPLOYMENT TRUST FUND REGULATION

I, Babatunde Durosinmi-Etti, Commissioner for Wealth Creation and Employment hereby make this Employment Trust Fund Regulation pursuant to the powers conferred on me by Section 25, of the Lagos State Employment Trust Fund Law 2016 (“referred to in this Regulation as the Law”) and other inherent powers.

Preamble

The Fund shall collaborate with the Ministry in order to actualise the objectives of the fund in line with Section 3 of the Law. This regulation shall apply to the Lagos State Employment Trust Fund as established under Section 2 of the Law and shall operate in line with the framework and policies of the Lagos State Government as it relates to employment generation and wealth creation as contained in the Ministerial responsibility of the Ministry of Wealth Creation and Employment, as approved by the Lagos State Executive Council.

1. Categories of Applicants.

Beneficiaries of the Trust Fund as created under Section 17 (2)(a)(b) and (c) of the Law shall fall under the following portfolios:

- (a) Micro-enterprises;
- (b) Small and medium enterprises;
- (c) Tech startups;
- (d) Employability; and
- (e) Market stimulation

2. Portfolio Allocation

The percentage of allocation of the Trust Fund to the portfolios listed under regulation 1(a)-(d) shall be as follows:

(a) Micro-enterprises	37%
(b) Small and medium enterprises	38%
(c) Tech start-ups	16%
(d) Employability	3%
(e) Market stimulation	<u>6%</u>
Total	= <u>100%</u>

3. Loan Disbursement

The Fund shall disburse approved loan bi-annually.

4. Operational Expenses

The Fund shall expend on its operations not more than 10% of its capital and shall progressively reduce this percentage subject to the annual approved budget for the Fund.

5. Implementation

The Executive Secretary of the Fund pursuant to Section 18(1) (3) of the Law shall be responsible for the implementation of this regulation subject to broad policy formulation by the part time Board.

PART I

MICRO-ENTERPRISES (ME)

Definition

A Micro-enterprise is a business with an annual turnover of less than N5,000,000.00 (Five Million Naira) only with a minimum monthly turnover of N20,000.00 (Twenty Thousand Naira) only and must have been in operation for a minimum of one (1) year or possesses a certification in trade and a reference from the certifying body.

6. Application

Applicant under this category shall fill out the prescribed form and shall submit same to the Executive Secretary of the Fund with the following documents:

- (a) Lagos State Resident Registration Authority (LASRRA) Card;
- (b) valid bank verification number; and
- (c) tax card of the directors or owner whichever is applicable.

7. Loan Limit

The loan limit under this category is N500,000.00 (Five Hundred Thousand Naira) only per person / Household.

8. Conditions for grant of Loan

(1) The following conditions shall apply to the loan granted under this category:

- (a) interest rate of 5% per annum ;
- (b) repayment period of 12 (twelve) months;
- (c) personal life protection policy noting the Fund as first loss payee;
- (d) comprehensive insurance cover;
- (e) moratorium period of 3 months;
- (f) 5% equity contribution by the beneficiary of the loan; and
- (g) evidence of clean credit record issued by the applicant's bank.

(2) The Fund shall bear the cost of the life policy and insurance cover on behalf of the beneficiaries as contained under regulation 8(1)(c) and (d).

9. Security

(1.) An applicant under this category shall fulfil the following conditions:-

- (a) personal guarantee of the applicant to repay the loan;
- (b) one (1) guarantor in the sum loaned plus interest; (guarantor must be a permanent resident in Lagos State and must submit a copy of

the Lagos State Residents Registration Authority (LASRRA) Card); and

(c) valid Bank Verification Numbers (BVN) of applicant and guarantor.

(2.) The Fund shall have a right of set off on the applicant's and guarantor's other accounts in any financial institution.

10. Eligibility

(1) Eligible beneficiaries under this category shall be businesses operating within the State and may be sourced from:

(a) micro-businesses in groups or clusters across the various Local Government /Local Council Development Areas verified by the Ministry

(b) trade associations and other related business associations verified by the Ministry

(c) registered cooperative groups or societies verified by the Ministry; and

(d) referral from Local Government /Local Council Development Areas verified by the Ministry.

(2) Application to the Ministry for verification under (a) – (d) above shall be responded to within 24 hours. Application for verification shall be presumed verified if after 72 hours of submission to the Ministry by the applicant the Ministry fails to respond to the application.

PART II

SMALL AND MEDIUM ENTERPRISE (SME)

Definition

A Small and Medium Enterprise is a business with an annual turnover of between N5,000,000.00 (Five Million Naira) and N250,000,000.00 (Two Hundred and Fifty Million Naira) only; with a monthly turnover of N500,000.00 (Five Hundred Thousand Naira) only and –

(i) has been in operation for a minimum of one(1) year;

(ii) registered with Corporate Affairs Commission; and

(iii) has an evidence of tax payment / Tax Exception Certificate

11. Application

Applicant under this category shall fill out the prescribed form and shall submit same to the Executive Secretary of the fund with the following documents:

(a) Lagos State Resident Registration Authority (LASRRA) Card;

(b) valid Bank Verification Number (BVN);

(c) evidence of tax payment of the company's directors;

(d) evidence of tax payment of the company or Tax Exception

- (e) evidence of registration with the Corporate Affairs Commission; and
- (f) business proposal that would show –
 - (i) existence of a veritable and economically stable market for goods and services; and
 - (ii) a good understanding of the business.

12. Loan Limit

The loan limit under this category shall be a minimum of N500,000.00 (Five Hundred Thousand Naira) only and a maximum of N5,000,000.00 (Five Million Naira) only.

13. Conditions for Grant of Loan

- (1.) The following conditions shall apply to the loan granted under this category:
 - (a) interest rate of 5% per annum ;
 - (b) repayment period of 36 (thirty - six) months;
 - (c) personal life protection policy noting the Fund as first loss payee;
 - (d) comprehensive insurance cover;
 - (e) moratorium period of 6 months;
 - (f) 5% equity contribution by the beneficiary of the loan; and
 - (g) evidence of clean credit record issued by the Fund's bank.

- (2) The Fund shall bear the cost of the life policy and insurance cover on behalf of the beneficiaries as contained under regulation 13(1)(c) and (d).

14. Security for the Loan

- (1) The following conditions shall apply to the loan granted under this category:
 - (a) personal guarantee of the Business Owner / Promoters;
 - (b) two (2) guarantors in the sum loaned plus interest (guarantor must be a permanent resident in Lagos State and must submit a copy of the Lagos State Residents Registration Authority (LASRRA) Card);
 - (c) all company asset debenture (fixed and floating); and
 - (d) guarantors must have valid Bank Verification Number (BVN).

- (2) The Fund shall have a right of set off on the applicant's/ guarantor's other accounts in any financial institution.

15. Eligibility

- (1) Eligible beneficiaries under this category shall be businesses operating within the State and may be sourced from:

- (a) micro-businesses in groups or clusters across the various Local Government /Local Council Development Areas verified by the Ministry
 - (b) trade associations and other related business associations verified by the Ministry
 - (c) registered cooperative groups or societies verified by the Ministry;
 - (d) referral from Local Government /Local Council Development Areas verified by the Ministry.
 - (e) already identified businesses operating across different sectors;
 - (f) corporate organisations targeting SMEs; and
 - (g) donor agencies such as USAID.
- (2) Application to the Ministry for verification under (a) – (d) above shall be responded to within 24 hours. Such application shall be presumed verified if after 72 hours of submission to the Ministry by the applicant the Ministry fails to respond to the application.

PART III

TECH START-Ups

Definition

Tech Start-up means a high growth, high potential business that is typically young with a business model that relies heavily on software or other forms of technology for distribution of products/services in its area of operations

16. Target

The Fund shall target businesses within the following industries:

- (a) financial technology;
- (b) food and Agricultural related businesses;
- (c) health-related start-up businesses;
- (d) environment and energy businesses;
- (e) power;
- (f) transport;
- (g) education;
- (h) e-commerce;
- (i) creative industry; and
- (j) women – led businesses in any of the above.

17. Invention Life Cycle

The Fund will offer the following:

- (a) acceleration program for a period of 3 (three) months;
- (b) funding;
- (c) incubation services which include workspace, training and mentoring infrastructure, market linkages and networking for a period of twelve (12) months.

PART IV

EMPLOYABILITY

Definition

Training of applicant in skills that would improve chances of gainful employment.

18. Employability

The Fund shall collaborate with the Ministry to:

- (a) engage organisations to identify skill needs with corresponding vacancies or skill demand across various sectors;
- (b) keep an inventory of all agreements with the State to determine available opportunities;
- (c) leverage on existing database of skilled artisans and graduates as provided by the Ministry or in the absence of the data base create a data base of skilled artisans and graduates with specific certification; and
- (d) match identified candidates that fit job vacancy requirements.

19. Employability Training

(1). The fund shall collaborate with the Ministry to:

- (a) train an applicant to bridge any specific skill gap or requirements;
- (b) place trained individuals on internship programmes for enhanced skill acquisition and gainful employment; and
- (c) execute agreement with organisations to retain individuals; or alternatively, the fund may equip artisans with starter packs.

(2). A person who is desirous of applying under this category shall possess a minimum of Senior School Certificate Examination (SSCE) / National Education Council (NECO).

PART V

MARKET STIMULATION

Definition

These are activities that assist businesses in overcoming challenges faced on a regular basis in order to improve economic growth.

20. Intervention

The Fund shall stimulate an enabling environment by adopting an intervention, support and promotion framework in the following areas:

- (a) improve market conditions: The Fund shall help businesses with the following:
 - (i) access to off takers (investors).
 - (ii) linkages with Government spending sectors.
 - (iii) improve product quality for export market.
- (b) improve access to production inputs/raw materials;
- (c) improve standards and production quality;

- (d) improve access to land and titles ;
- (e) encourage predictable and transparent taxes/levies;
- (f) enhance the process of obtaining permits / licenses / approvals;
- (g) human capacity development;
- (h) infrastructural support e.g. road, power, internet; and
- (i) job and career fairs.

PART VI

PARTNERS

21. Partners under the Micro-enterprises

- (1) The fund shall partner with Microfinance Banks and Microfinance Institutions with State or National licences based on their evaluation on the following criteria:
 - (a) branch network(minimum of five (5) branches in Lagos State);
 - (b) quality of Board of Directors;
 - (c) capital adequacy and assets;
 - (d) management;
 - (e) liquidity; and
 - (f) earnings.
- (2) The Fund shall ensure that the partners selected under sub-regulation (1) have branches across Lagos State.
- (3) The Fund shall carry out periodic performance reviews and reallocate capital among partners based on their performance.
- (4) The maximum loan amount per cycle of Microfinance Bank lending shall be 35% of shareholder's fund unimpaired by losses or if higher, as indicated below:
 - (a) State Microfinance Bank: N200,000,000.00 (Two Hundred Million Naira) only limit;
 - (b) Lagos State Microfinance Institute (LASMI) / IBILE Microfinance Bank N100,000,000.00 (One Hundred Million Naira) only limit; and
 - (c) National Microfinance Bank N250,000,000.00 (Two Hundred and Fifty Million Naira) only limit.

22. Partners under the SME

- (1) The Fund shall collaborate with selected commercial banks to reach target beneficiaries.
- (2) The selected banks shall be ranked using the following criteria:
 - (a) SME focus;
 - (b) track record in SME lending;
 - (c) capital adequacy and assets;
 - (d) earning quality;
 - (e) liquidity ratio; and
 - (f) strong risk management portfolio;

- (3) Partners would be aligned based on their capacity and preferred areas of SME coverage.
- (4) The Fund shall execute a Memorandum of Understanding (MoU) with the selected partners detailing operating conditions.

PART VII

TRAINING

23. Microenterprise Training and Support

The Fund shall give beneficiaries under this category pre-disbursement training in order to equip beneficiaries with business management tools.

24. SME Training, Business Development and Monitoring


The fund shall:

- (a) Give pre-disbursement training to equip beneficiaries with business management tools;
- (b) collaborate with partnering banks to conduct periodic post-finance service such as mentorship hand-holding and encourage SMEs to inculcate best practices;
- (c) support SMEs to develop synergies and linkages with large enterprises, industrial buyers and suppliers along the value chain;
- (d) provide financial management services to businesses evidenced by monthly report submission;
- (e) provide Human Resource (HR) services to ensure compliance with tax and pension requirements.

Given under my hand this ----- day of November 2016.

Commissioner for Wealth Creation and Employment

Approval granted by Lagos State House of Assembly on ^{15th}----- day of November 2016 and authenticated by:


Mr. Azeez A. Sanni
Acting Clerk
Lagos State House of Assembly