

ECONOMIC PALLIATIVE MEASURES BY THE CENTRAL BANK OF NIGERIA ON THE CORONAVIRUS PANDEMIC

The world has been taken by storm due to the spread of the coronavirus pandemic which has affected every facet of life. Due to the pandemic, many economies of the world, including Nigeria, are either slowing down or crumbling based on the effect on people and businesses, both large and small. This has led to many countries putting in place measure to ameliorate the effect of the pandemic on their respective economies. Nigeria has also not been left out in these palliative measures.

The Central Bank of Nigeria (CBN), as the regulator of all banks and financial institutions as well as manager of the economy, has issued several press releases and circulars aimed at managing and maintaining the economy during this period of the pandemic. The press releases and circulars include the following:

1. **Circular No. FPR/DIR/GEN/CIR/07/049 of 16th March, 2020¹:** The CBN announced the following policy measures to be taken, that is:
 - a. ***Extension of moratorium*** - Grant of further moratorium of one year on all principal repayments effective 1st March, 2020 to all intervention loans (which are loans by the government to support SMEs) currently under moratorium.
 - b. ***Interest rate reduction*** - Interests on all applicable CBN intervention facilities are reduced from 9% to 5% per annum for 1 year effective from 1stMarch, 2020.
 - c. ***Creation of a N50,000,000,000.00 targeted credit facility*** - Establishment of a facility through the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) Microfinance Bank (“NMFB”) for households and SMEs that have been particularly hard hit by Covid-19.
 - d. ***Credit support for healthcare industry*** - Grant of loans to pharmaceutical companies intending to expand or open their drug manufacturing plants in Nigeria as well as to hospitals and healthcare facilities who intend to expand/build the health facilities to first class centres.
 - e. ***Regulatory forbearance*** - Grant of leave to Deposit Money Banks (“DMBs”) to consider temporary and time-limited restructuring of the tenor and loan terms for businesses and households most affected by the pandemic particularly Oil & Gas, Agriculture and manufacturing.
 - f. ***Strengthening of the CBN Loan-to-Deposit Ratio (LDR) Policy*** -Further support industry funding levels to maintain DMBs’ capacity to direct credit to individuals, households and businesses.

¹<https://www.cbn.gov.ng/Out/2020/FPRD/CBN%20POLICY%20MEASURES%20IN%20RESPONSE%20TO%20COVID-19%20OUTBREAK%20AND%20SPILLOVERS.pdf> Accessed on 8thApril, 2020 at 3:34pm

- 2. Circular No. FPRD/DIR/GEN/CIR/07/050 of 23rd March, 2020 and the attached Guidelines for the Implementation of the N50,000,000,000 Targeted Credit Facility²:** This is for households and SMEs, that is, households with verifiable evidence of livelihood adversely impacted by COVID-19 and existing enterprises with verifiable evidence of business activities, that have been particularly hard hit by Covid-19. It covers Agricultural value chain activities; Hospitality (accommodation and food services); Health (pharmaceuticals and medical supplies) amongst others and the Scheme is to be funded from the Micro, Small and Medium Enterprises Development Fund (MSMEDF) and the participating financial institution for the Scheme is NMFB. The Guidelines also provide for the loan limit under the Scheme and also makes provision for interest rate which shall be 5% per annum up to 28th February, 2021 and thereafter the interest on the facility shall revert to 9% per annum as from 1st March, 2021. The exit date of the Intervention is 31st December, 2024.

It is worthy to mention that as at 14th April, 2020, over 80,000 applications have so far been received from businesses and individuals. The Managing Director of NMFB confirmed this during a media briefing on the same day. He said that 40,000 applications were from households while 30,000 applications were received from SMEs. He further said that NMFB would soon begin the disbursement of the fund to those who met the criteria set by CBN. He also stated that the management of NMFB has resolved that the business plan is no longer a mandatory requirement and the third party provision of a business plan is not compulsory³.

- 3. Circular No. FPR/DIR/GEN/CIR/07/051 of 25th March, 2020 and the attached Guidelines for the Operations of the N100,000,000,000 Credit Support for the Healthcare Sector⁴:** For indigenous pharmaceutical companies and healthcare practitioners, among which are healthcare product manufacturers, healthcare service providers/medical facilities, pharmaceutical/medical products distribution and logistics services intending to build or expand their capacity. The Scheme is intended to increase private and public investment in the healthcare sector and is to be funded from the Real Sector Support Facility – Differentiated Cash Reserves Requirement (RSSF-DCRR) and the eligible financial institutions shall be Deposit Money Banks (DMBs) and Development Finance Institutions. It provides for the loan limit under the Scheme and the interest rate is the same as stated above for the N50,000,000,000 Targeted Credit Facility. The exit date of the intervention is 31st December, 2030.

²<https://www.cbn.gov.ng/Out/2020/FPRD/N50%20Billion%20Combined.pdf> Accessed on 8th April, 2020 at 3:35pm

³ <https://punchng.com/80000-apply-for-cbns-n50bn-covid-19-intervention-fund/> Accessed 15th April, 2020 at 7:02pm

⁴<https://www.cbn.gov.ng/Out/2020/FPRD/healthcareintervention.pdf> Accessed on 8th April, 2020 at 3:36pm

4. **Press Release of 25th March, 2020⁵, Joint Press Release of 30th March, 2020 with Federal Ministry of Finance⁶ and CBN Press Release of 30th March, 2020⁷:** These press releases are providing the general public with information that CBN, CBN, DMBs, Nigeria Inter-Bank Settlement System, Switching Companies, Mobile money operators and Payment solution service providers would remain open for business during the period . It also states that the CBN has gotten the approval of the President on this in order to keep banking operations open and active during the period.
5. **Circular No. BKS/DIR/GEN/CIR/07/002 on Temporary Suspension of Cheque Clearing in the Nigeria Clearing System⁸:** For the suspension of cheques instruments in the Nigerian Clearing System starting from 31stMarch, 2020 till further notice. No fresh cheque would be allowed to pass through after that date, as only returned cheques would be treated and settlement activities for electronic instruments will continue during the period of the suspension.
6. **The Private Sector Coalition Against COVID-19⁹:** The Coalition formed after CBN's engagement with private sector players and stake holders, is aimed at targeting interventions in emergency hospitals in Lagos and the FCT and also provide critical medical supplies to the Nigeria Center for Disease control (NCDC) to enhance its capacity as it manages the increasing number of COVID-19 cases in Nigeria. The private sector is also making donations and as at 7th April, 2020, the Federal Government announced that it has gotten just about N21,588,000,000.00 from the promises made so far by the private sector¹⁰.
7. **Circular No. BKS/CSO/DIR/CON/01/089 on Contributions/Donations to CBN-Led Covid-19 Relief Fund Account Domiciled with the Central Bank of Nigeria¹¹:** This is to inform private corporate bodies and individuals wishing to make voluntary contributions/donations towards the fight against the COVID-19 dreaded virus, that such contributions/donations can now be made to the Central Bank of Nigeria private sector led COVID-19 Relief Fund Account through multiple channels such as Bank branch, Internet banking, USSD, Card, Wallet, all banks mobile Apps, Remita Mobile App or directly as a Remita customer) via the CBN payment gateway REMITA. To make the donation, they are to access the CBN Website and click on

⁵<https://www.cbn.gov.ng/Out/2020/CCD/CBN%20Press%20release%20on%20COVID-19%2025032020.pdf> Accessed on 8thApril, 2020 at 3:40pm

⁶<https://www.cbn.gov.ng/Out/2020/CCD/Covid-19%20Exemptions%20to%20Movement%20CBN%20MoF.pdf> (last accessed on 8thApril, 2020 at 3:43pm)

⁷<https://www.cbn.gov.ng/Out/2020/CCD/CBN%20Press%20release-COVID-19-30032020.pdf> (last accessed on 8thApril, 2020 at 3:42pm)

⁸<https://www.cbn.gov.ng/Out/2020/CCD/checkclrnssuspension.pdf> Accessed on 8thApril, 2020 at 3:44pm

⁹<https://www.cbn.gov.ng/Out/2020/CCD/PrivateSectorCoalitionCovid-19.pdf> (last accessed on 8th April, 2020 at 3:52pm)

¹⁰<https://www.thisdaylive.com/index.php/2020/04/07/covid-19-private-sector-relief-fund-hits-n21-588bn-as-fg-lists-chinese-doctors-role/> Accessed on 9th April, 2020 at 4:18pm

¹¹ <https://www.cbn.gov.ng/Out/2020/CCD/covid%20contributions.pdf> Accessed 15th April, 2020 at 12:38pm

<https://login.remita.net/remita/onepage/5800340773/service.spa> under the name COVID Relief Fund Donation link. Alternatively, they can log on to <https://www.remita.net/> and click on the service type - COVID 19 Relief Fund and Donation on the CBN TSA Payment Gateway – Remita.

8. **Press Release of 13th April, 2020 on the fact that CBN does not charge any fee on Covid-19 loan applications**¹²: This is to counter the false reports in the social media circles that loan seekers and owners of small-scale businesses who apply for loans provided to cushion the effects of COVID-19 are required to pay a certain amount as application processing fee. CBN stated that there are clearly spelt out procedures for accessing the N50 billion Targeted Credit Facility (TCF) stimulus package to support households and micro, small and medium enterprises (MSMEs) affected by the COVID-19 pandemic, which are disbursed through the NMFBS. CBN advised members of the public, particularly households and owners of small-scale businesses, to disregard any message requiring them to pay any amount to process their applications. Prospective applicants were advised to approach NMFBS or the CBN branch nearest to them for clarification on the procedure for accessing any of the CBN-related loans.

9. **Publication of 14th April, 2020**¹³ **on turning the Covid-19 tragedy to an opportunity for a new Nigeria**: The CBN Governor announced that CBN is providing a combined stimulus package of N3,500,000,000,000.00 (Three Trillion, Five Hundred Billion Naira) to households, businesses, manufacturers and healthcare providers. To that end, the CBN developed a Policy Response Timeline to guide crises management and the orderly reboot of the Nigerian economy, such as:
 - a. **Immediate-Term Policies (0-3 Months)**

CBN has activated the following:

 - i. Ensuring financial system stability by granting regulatory forbearance to banks to restructure terms of facilities in affected sectors;
 - ii. Triggering banks and other financial institutions to roll-out business continuity processes to ensure that banking services are delivered in a safe social-distance regime for all customers and bankers;
 - iii. Granting additional moratorium of 1 year on CBN intervention facilities;
 - iv. Reducing interest rates on intervention facilities from 9 percent to 5 percent;
 - v. Creation of N50,000,000,000.00 (Fifty Billion Naira) targeted credit facility for affected households & SMEs;

¹² <https://www.cbn.gov.ng/Out/2020/CCD/Covid-19%20Loan%20No%20Fees.pdf> Accessed 15th April, 2020 at 1:00pm

¹³ <https://www.cbn.gov.ng/Out/2020/CCD/EDITED--Turning%20Covid%20Tragedy%20into%20Opportunity%20for%20New%20Nigeria--OpEd%20by%20Gov%20Godwin%20Emefiele--Tue14April2020%201.pdf> Accessed 15th April, 2020 at 6:02pm.

- vi. Strengthening the Loan-Deposit Ratio (LDR) policy, which is encouraging significant extra lending from banks;
- vii. Improving FX supply to the CBN by directing all oil companies (international and domestic) and all related companies (oil service) to sell FX to CBN and no longer to the NNPC;
- viii. Providing additional N100,000,000,000.00 (One Hundred Billion Naira) intervention in healthcare loans to pharmaceutical companies, healthcare practitioners intending to expand/build capacity;
- ix. Providing N1,000,000,000,000.00 (One Trillion Naira) in loans to boost local manufacturing and production across critical sectors; and
- x. Engendering financial inclusion by ensuring the poor and vulnerable are able, by all means necessary, through banks, microfinance, community and non-bank financial institutions, to access financial services to meet their basic needs.

b. **Short-Term Policy Priorities (0 - 12 months)**

CBN will pursue the following policies:

- i. Reinvigorate financial support for the manufacturing sector by expanding the intervention all through its value-chain;
- ii. Embark on a project to get banks and private equity firms to finance home-grown and sustainable healthcare services that will help to reverse medical tourism out of Nigeria. By offering long-term financing for the entire healthcare value-chain (including medicine, pharmaceuticals, and critical care), banks will work with healthcare providers to consolidate on the current efforts to rebuild our medical facilities in order to ensure Nigeria has world class affordable hospitals for the people of Nigeria and those wishing to visit Nigeria for treatment;
- iii. To promote the establishment of InfraCo PLC, a world class infrastructure development vehicle, wholly focused on Nigeria, with combined debt and equity take-off capital of N15,000,000,000,000.00 (Fifteen Trillion Naira), and managed by an independent infrastructure fund manager. This fund will be utilized to support the Federal Government in building the transport infrastructure required to move agriculture products to processors, raw materials to factories, and finished goods to markets, as envisaged at the CBN Going for Growth Roundtable in March 2020; and
- iv. Continue to prioritize the provision of FX for the importation of machinery and critical raw materials needed to drive a self-sufficient Nigerian economy.

c. **Medium-Term Policy Priorities (0 -3 Years):**

CBN will do the following:

- i. Focus on four main areas, namely, light manufacturing, affordable housing, renewable energy and cutting-edge research.
- ii. Pursue a substantial economic renewal including replacement of at least 25 percent of the existing machinery and equipment with an initial intervention of N500,000,000,000.00 (Five Hundred Billion Naira);
- iii. Provide interventions in three critical areas: housing development, mortgage finance and institutional capacity;
- iv. Pursue the creation of a fund that will target housing construction for developers that provide evidence of profiled off-takers with financial capacity to repay using the bank verification number (BVN) provided by the off-takers before the developer can access the funds;
- v. Consider ways to assist the Mortgage Finance Sub-sector as well as build capacity at the State levels for their land administration agencies to process and issue land titles promptly, implement investment friendly foreclosure laws and reduce the cost of land documentation;
- vi. Support the financing of environmentally friendly energy production; and
- vii. Drive innovation and research in every sector through universities, research institutions, creative industry initiatives and all other media of novelty and inventions.

The foregoing are the targeted measures and steps so far taken by the CBN to manage the economy and also provide intervention to eligible applicants to be able to alleviate the otherwise negative effect of the pandemic on SMEs and households. However, there is more to be desired especially pertaining to foreign exchange. Presently, there are restrictions on Forex and many local businesses are unable to access Forex, and this is despite the fact that CBN plans to prioritize the provision of FX for the importation of machinery and critical raw materials, as this is yet to be implemented. Furthermore, it is believed that this is the right time to devalue the naira in order to meet the current realities as the funds currently available in Nigeria might be too small to support the economy. Therefore, policy measures towards managing currency devaluation are greatly anticipated in the very near future.

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