



CENTRAL BANK OF NIGERIA

**GUIDELINES FOR THE IMPLEMENTATION OF
THE COVID-19 INTERVENTION FACILITY
FOR THE MANUFACTURING SECTOR**

May 2020



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1. Introduction

The twin shocks, resulting from the novel coronavirus (COVID-19) pandemic and oil price shock, continue to have high-velocity impacts businesses across Nigeria, particularly manufacturers as they face continued pressure on demand, production and revenue as the pandemic intensifies. Additionally, many are faced with cashflow liquidity challenges and difficulties in managing debt obligations as a result of unprecedented supply chain disruptions, sharp plummet in consumer spending, turmoil in financial markets, and restrictions on movement of raw materials and persons across the country. The industry is particularly vulnerable given concerns around prolonged full or partial closure of production, as many are mulling layoffs to help cushion the spread of the virus and for obvious economic reasons, with a real possibility that the crisis may result in the bankruptcy of beleaguered manufacturing enterprises.

As a stimulus policy measures to tackle these negative consequences, the Central Bank of Nigeria (CBN) introduces a ₦1.0 trillion special COVID-19 intervention facility to help strengthen the resilience of the Nigerian manufacturing sector. The intervention facility will be channelled to boost local manufacturing and support mass employment and retention in the country.

This Guidelines outlines the operational modalities for the Facility.

2. Establishment of the Facility

- i. The ~~₦~~1.0 trillion special COVID-19 intervention facility for the manufacturing sector is a initiative of the CBN set up to cushion the negative consequences of the coronavirus pandemic on businesses.
- ii. The intervention facility is to support the Federal Government's palliative measures to support beleaguered manufacturing enterprises in priority economic activities.
- iii. Its shall focus on boosting local manufacturing capacity and support mass employment, wealth creation and foreign reserve accretion.
- iv. The intervention facility shall be in two (2) phases, with each phase having a ~~₦~~500 billion intervention fund. Upon full utilisation of the intervention fund in the first phase (Phase I), the second phase (Phase II) of the intervention facility shall commence, however, subject to CBN Management's approval.

3. Objectives

The objective objectives of the Facility include:

- i. Improve access to affordable credit by domestic manufacturing enterprises across critical sectors of the economy;
- ii. Close financing gap necessary for the replacement of machinery and equipment to enhance local production;
- iii. Refinance existing facilities of manufacturing enterprises in priority sectors of the economy;
- iv. Facilitate the procurement of state-of-the-art machinery and equipment, as well as automated manufacturing models that would fast-track domestic production and economic rejuvenation; and
- v. Support increased patronage Made in Nigeria products, industry resilience, employment creation and retention and accretion to foreign reserves.

4. Eligible Activities

Eligible manufacturing enterprises shall be an entity registered in Nigeria under the Companies and Allied Matters Act of 1990 and engaged in any of the following:

- i. Cement;
- ii. Basic metal, steel and iron rods;
- iii. Textile, apparel and footwear;
- iv. Electrical and electronics, including computer;
- v. Renewable energy products;
- vi. Light manufacturing in general including Fast Moving Consumer Goods (FMCG), basic non-durable household goods and other consumables, except cigarettes and tobacco;
- vii. Food, drinks and beverages;
- viii. Agro-processing;
- ix. Chemical and pharmaceutical products;
- x. Pulp, paper and paper products;
- xi. Plastic and rubber products;
- xii. Wood and wood products; and
- xiii. Any other manufacturing activities as may be prescribed by the CBN.

NOTE: Trading activities shall not be accommodated under this Facility.

Manufacturing enterprises that have accessed any of CBN's existing intervention programmes and schemes shall be eligible to apply under this facility, provided their existing credit facility is performing.

5. Funding

The Facility shall be funded from the Real Sector Support Facility (RSSF) of the Central Bank of Nigeria.

6. Loan Type and Limit

- i. **Term loan:** Shall be determined based on the activity and shall not exceed ₦10 billion per obligor.
- ii. **Working capital:** Maximum of ₦2 billion per obligor
- iii. **Refinancing facility:** Maximum of ₦15 billion per obligor

7. Interest Rate

Interest rate under the intervention shall be at not more than 5.0% p.a. (all inclusive) up to 28th February 2021, thereafter, interest on the facility shall revert to 9% p.a. (all inclusive) effective from 1st March 2021.

8. Loan Tenor and Moratorium

- i. Term loans and refinancing facility shall have a maximum tenor of 5 years (*not exceeding 31st December, 2025*) depending on the complexity of the project. Each project tenor shall be determined in relation to the projected cash flow and the lifespan of the underlying collateral.
- ii. Term loans and refinancing facility shall be allowed a one-year moratorium on principal repayment only.
- iii. Working capital facility shall have a tenor of one (1) year with a maximum roll over of not more than two (2) years subject to approval.

9. Repayment

Monthly interests on the facility shall be amortised and transferred quarterly with principal repayments to the RSSF Repayment Account in CBN.

10. Participating Financial Institutions (PFIs)

All Deposit Money Banks will be eligible as PFIs under this Facility.

11. Transaction Dynamics for the Facility

- i. Eligible manufacturing enterprises shall submit applications through any of the participating banks to the CBN.
- ii. The lending bank shall receive applications and carry out due diligence on applications based on business and credit considerations.
- iii. Upon approval by the appropriate Credit Committee, lending bank shall forward requests for the facility from their eligible manufacturing enterprises to the CBN.
- iv. Each request must be accompanied with the following documents:
 - a. Evidence of loss of income by manufacturing enterprise or business due to lockdown or movement restrictions;
 - b. Evidence of existing performing credit facility with PFI, if seeking refinancing;
 - c. Three (3) years audited financial statement;
 - d. Copies of duly executed offer documents between the bank and the loan applicants;
 - e. Certificate of Incorporation;
 - f. Brief on directors of the enterprise;
 - g. At least two (2) credit reports of the company and the directors;
 - h. Approved proposed disbursement schedule in line with project's complexity and structure; and
 - i. Proposed repayment schedule of facility.
- v. The Central Bank of Nigeria shall conduct internal review of the application to ensure that the project is within the focal sectors of the intervention. All applications that meet the specified requirements under the interventions shall be processed and the PFI notified of the status of the request (**Note:** The CBN reserves the right to reject any application from any lending bank that does not

meet the requirements of this Guidelines);

- vi. Upon approval, the CBN shall release the approved sum to the PFI; and
- vii. The PFI shall, within 5 working days, disburse the approved sum to the enterprise in accordance with the approved disbursement schedule.

12. Collateral Requirements

The collateral acceptable under the intervention facility shall be as may be acceptable by the PFI under the RSSF.

13. Verification/Monitoring of Projects

Periodic monitoring of projects financed under the Scheme shall be conducted by the PFI with CBN.

14. Management of the Facility

The Development Finance Department of the Central Bank of Nigeria shall be responsible for the management of the intervention facility.

15. Responsibilities of Stakeholders:

For the effective implementation of the intervention facility, the responsibilities of the stakeholders shall include:

15.1 Central Bank of Nigeria

The Central Bank of Nigeria shall:

- i. Provide the funding for the intervention facility;
- ii. Release funds to the DMBs for disbursement to approved financing requests;
- iii. Carry out periodic verification and monitoring of projects financed;
- iv. Maintain and provide periodic reports to the CBN Management on the performance of the intervention;
- v. Ensure compliance with the provisions of the Guidelines; and

- vi. Review the Guidelines as may be necessary from time to time

15.2 Deposit Money Banks (DMBs)

The DMBs shall:

- i. Appraise and approve requests under the Facility based on normal business consideration and due diligence;
- ii. Forward such approved requests to CBN for verification and final approval;
- iii. Consider the grant of credit **ONLY** to eligible manufacturing enterprises;
- iv. Monitor financed projects and render periodic returns as may be specified by the CBN from time to time;
- v. Ensure repayments of facilities by obligors; and
- vi. Comply with the Guidelines of the Facility.

15.3 Obligors

The Obligor shall:

- i. Adhere strictly to the terms and conditions of the Facility;
- ii. Ensure prudent utilisation of facility for the purpose for which it was granted;
- iii. Keep up-to-date records of the enterprise's activities under the intervention;
- iv. Allow access to the project and records by the CBN and PFI;
- v. Repay the facility in accordance with the approved repayment schedule; and
- vi. Comply with the provisions of the Guidelines.

16. Discontinuation of a Credit Facility

Whenever a loan is repaid or the Facility is otherwise discontinued, the lending bank

shall return the fund to the RSSF repayment account in CBN within 3 working days, providing details of the credit facility.

17. Infractions

The infractions and sanctions, stipulated under the RSSF, shall be applicable under this intervention facility, accordingly.

18. Amendments

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

19. 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.

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