



Central Bank of Nigeria

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Emefiele: Six Years of Pragmatic Stewardship

INSIDE THIS EDITION:

- Dawn of the Emefiele Era
- Weathering the Storms of Global Economic Meltdown and Recession with Heterodox Monetary Policy
- One Good Term Deserves Another
- Way Forward

Contents

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Editor's Note	1
Part 1: DAWN OF THE EMEFIELE ERA	3
Profile of Mr. Godwin Ifeanyi Emeziele, CON	4
Emefiele Takes Over...His 10-Point Agenda for a People-Centered Bank	7
Emefiele Assumes Office: Expectations of stakeholders	10
Part 2: Weathering the Storms of Global Economic Meltdown and Recession With Heterodox Monetary Policy	13
Understanding Heterodox Monetary Policy Decisions	14
Heterodox monetary policy: The Governor explains	18
Part 3: ONE GOOD TERM DESERVES ANOTHER	24
Legacies of the First Term	25
Banking Supervision and Financial Services	37
A broad spectrum of financial instruments to boost Agriculture, Manufacturing, Health, Oil and Gas	41
Diversification of the Economy: The Interventions	46
Innovative Finance and Financial Inclusiveness under Emeziele	48
Reappointment and Agenda for Consolidation	51
Part 4: WAY FORWARD	52
Quest for Economic Self-Reliance: The Emeziele approach	53
Editorial Epilogue	60
Committee of Governors	62



Editor's Note

The Emefiele Years ...A prologue

When Godwin Ifeanyi Emefiele assumed office as the tenth indigenous Governor of the Central Bank of Nigeria (CBN) on June 3, 2014, there was a 60 per cent decline in the price of crude oil, geo-political tensions rose and were widespread along critical global trading routes and the normalisation of monetary policy by the United States' Federal Reserve System led to acute capital flow reversals, especially in emerging markets such as Nigeria.

The impact of these on the Nigerian economy was quite severe, cumulatively plunging the economy into a recession, for the first time in a quarter of a century. The media space was suffused with news about the depletion of the country's foreign reserves and the depreciation of the Naira. The tough period called for bold and positive decisions to be taken and the CBN, led by Emefiele, stood up to be counted.

Unveiling his vision for the CBN at his maiden world press conference, on June 5, 2014, Emefiele, in a 10-point agenda, passionately shared his ideas on creating a central bank that is professional, apolitical, and people-focused. He expressed desire to lead, in his words, "A central bank that spends its energies on building a resilient financial system that can serve the growth and development needs of our beloved country, Nigeria."

Given his pedigree, Emefiele was expected to bring on board novelties at the Bank and that he wasted no time in doing. While building on the policies of his predecessors, the core of Emefiele's innovative stance at the CBN was development financing. To him, the CBN was to act as financial catalyst by targeting strategic sectors that could create jobs on a mass scale and reduce the country's import bills. He declared that the CBN would deploy developmental initiatives to create an enabling environment with appropriate incentives to empower innovative entrepreneurs to drive growth and development.

As you will read later in this special edition of CBNUdate highlighting the activities and policies of the Bank since Governor Emefiele assumed office in 2014, the CBN-initiated Anchor Borrowers' Programme (ABP) launched by President Muhammadu Buhari in November 2015 has triggered a revolution in the value chains of selected crops, especially rice. This novel development finance intervention scheme ensured that Nigeria emerged from being a net importer of rice to becoming a major producer of rice, supplying key markets in neighboring countries. Statistics reveal that a total number of over one million farmers cultivating over a

million hectares, across 16 different commodities in the country's 36 States, have so far benefited from the programme, which has also generated over three million direct and indirect jobs across agricultural value chains as at end 2019.

In a bold move to contain rising inflation and to cushion the impact of the drop in the supply of foreign exchange to the Nigerian economy, Emeziele adopted unconventional monetary policies that he himself described as "extraordinary measures needed to tackle extraordinary challenges".

Not only did the CBN tighten monetary policy rates over a period, the Bank introduced demand management approaches to conserve Nigeria's reserves and support domestic production of certain goods. In a bid to encourage local manufacturers to consider local options in sourcing their raw materials, the CBN, under Emeziele, restricted access to foreign exchange on 41 items (now increased to 43). Four of these items alone, at the time, constituted over ₦1trillion of Nigeria's annual import bill.

In addition to this, the Bank also established an Investors and Exporters (I&E) window, which allowed investors and exporters to purchase and sell foreign exchange at the prevailing market rate. Then there was the further liberalization of the foreign exchange market through the operationalization of the "Revised Guidelines for the Operation of the Nigerian Inter-bank Foreign Exchange Market" in June 2016. The commencement of this policy guideline introduced the Naira Settled Foreign Exchange Futures Market.

Due to the weakening of the Naira at the time, coupled with the exposure of several banks to the oil and gas sector, which squeezed the balance sheets of some domestic banks, the CBN intensified its risk-based supervision of the banks to guarantee financial stability.

In spite of the effect of the recession that Nigeria experienced, her economy remained the largest in Africa by the size of its GDP, with a very well diversified mix of opportunities across different

sectors, such as ICT, Manufacturing, Solid Minerals, Trade and Agriculture.

Although vilified for many of its decisions, the CBN Governor has always insisted that the Bank's decisions were and will always be in the overall interest of Nigerians. Hence, it embarked on other policies such as the Youth Entrepreneurship Development Programme (YEDP), Accelerated Agricultural Development Scheme (AADS), the Agri-business/Small and Medium Enterprises Investment Scheme (AGSMEIS), the National Collateral Registry (NCR) and lately the Creative Industry Financing Initiative (CIFI), which is a collaboration between the CBN and the Bankers' Committee.

With all these milestones within a period of five years, it was no surprise that an impressed President Muhammadu Buhari nominated Godwin Emeziele for a second term in office as Governor of the Central Bank of Nigeria (CBN), the first time anyone has ever been so nominated since 1999. Equally impressed by the effort of the CBN under his leadership, the Senate, without any opposing voice, again confirmed Emeziele as Governor.

The past six years (2014 – 2020) have been very eventful that an attempt to comprehensively capture all the major policies, programmes and developmental initiatives of the Governor during the period in this issue, would be tantamount to going beyond the planned scope of this project. This subject and its place in Nigeria economy history, will surely be the focus of several on-coming books. However, **CBNUPDATE** has captured here, in four sections, major milestones of the Emeziele years.

In highlighting the success stories, we have also identified the challenges that have spurred the Bank in its quest to achieve its mandate and Emeziele's goal of supporting an economy where balanced growth and shared prosperity are guaranteed for all Nigerians.



Isaac Okorafor
Editor-in-Chief





Dawn of the Emefiele Era



Profile of Mr. Godwin Ifeanyi Emefiele, CON



Official portrait of the Governor of the Central Bank of Nigeria, Mr. Godwin Emefiele

Mr. Godwin Ifeanyi Emefiele, CON, is the current Governor of the Central Bank of Nigeria, having assumed office on June 3, 2014.

Born on August 4, 1961, he attended Government Primary School, Victoria Island, Lagos in 1973 and Maryland Comprehensive Secondary School, Ikeja, Lagos State, for the West African School Certificate (WASC) in June 1978. He proceeded to the famous University of Nigeria, Nsukka, (UNN), where he studied Banking and Finance and obtained a Bachelor of Science Degree (B.Sc.)(Second Class Upper Division) in June 1984. In October 1986, he obtained a Master of Business Administration (MBA) Degree in Finance, also from UNN, winning the Best Graduating Student Award. He later engaged in Executive studies at Stanford University, Harvard University (2004) and Wharton Graduate School of Business (2005), where he took courses in Negotiation, Service Excellence, Critical Thinking, Leading Change and Strategy. Before his

banking career, he lectured Mathematics of Finance and Insurance at the UNN and University of Port Harcourt.

The young Emefiele started his banking career at the Nigerian American Merchant Bank (First Bank of Boston) and later joined Zenith Bank Plc at its inception in 1990. Emefiele was an integral part of the team that transformed Zenith Bank from start-up to one of Nigeria's largest banks with over 9,000 staff, about US\$3.2 billion in shareholders' funds and subsidiaries in Ghana, Sierra Leone, Gambia, South Africa, Dubai, China and the United Kingdom.

On account of his uncommon diligence, exceptional motivation, and undying integrity, he rose quickly through the ranks of the bank and was appointed Executive Director in 1996. In this position, Mr. Emefiele oversaw the bank's affairs in Corporate Banking, Treasury, Financial Control and Strategic Planning, and was later appointed Deputy Managing Director in 2001.

Mr. Emefiele played key roles in the bank's expansion beyond Africa's shores as Zenith became the first Nigerian bank in 25 years to be licensed by the Financial Services Authority (FSA) in the United Kingdom for the commencement of banking operations in April 2007.

In August 2010, he became the Group Managing Director and Chief Executive Officer of Zenith Bank PLC, and its subsidiaries in Ghana, Sierra Leone, The Gambia, South Africa, China, and the United Kingdom.

Governor. Emefiele completed the process of the appointment when he swore to relevant oaths on June 3, 2014 to become the 11th (eleventh indigenous) Governor of the Central Bank of Nigeria (CBN). When Godwin Emefiele assumed office, Nigeria faced a series of challenges and spillover effects from the global economy. However, with dexterity and a team of committed staff at the Bank, the CBN has been able to steady the economy with people-centered policies.



Godwin Emefiele, CON, Governor, Central Bank of Nigeria

Under Emefiele's leadership, Zenith Bank strengthened its position as a leading financial institution in Africa, winning recognition and endorsement at home and abroad for giant strides in key performance areas like corporate governance, service delivery and deployment of cutting-edge ICT.

With nearly three decades of banking experience, Godwin Emefiele was nominated as the new Governor of the Central Bank of Nigeria (CBN) by then President Goodluck Jonathan on February 20, 2014. Having put up an impressive performance at his screening before the Committee of the Whole, the Senate, on Wednesday, March 26, 2014, confirmed the appointment of Emefiele as CBN

A nationalistic economist of a kind, Emefiele, in the course of his tenure has championed the push for diversification of the Nigerian economy, away from heavy dependence on crude oil and other imported items that can be produced in the country.

In spite of scathing criticisms from stakeholders at home and abroad, Emefiele went ahead with measures geared at reducing the huge sums spent by the country on importing items such as fish and rice, which went as high as N1.3 trillion a year. The dogged implementation of the Bank's policy of restricting access to forex from the Nigerian forex market to what is now a list of 43 items, has no doubt led to huge improvements in the domestic



Mr. Emeziele at the University of Nigeria, Nsukka

production of those items and a reduction in Nigeria's import bill. From an average of about US\$5.5 billion, the nation's monthly import bill had fallen consistently to US\$2.1 billion in 2016 and US\$1.9 billion by half year 2017 to less than \$1 billion in 2018, thereby reversing the trend where imports were a drag to the nation's foreign reserves.

As part of its developmental mandate, the CBN, under Emeziele, since 2014, has also established, single-handedly or in conjunction with the Bankers' Committee, various other initiatives all aimed at creating wealth and putting in place strong policies for creating jobs for the country's growing youth population. These include:

1. The hugely successful Anchor Borrowers' Programme (ABP);
2. The Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL);
3. The National Food Security Programme (NFSP);
4. The Paddy Aggregation Scheme (PAS);
5. The Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS);
6. The Accelerated Agricultural Development Scheme (AADS);
7. Youth Entrepreneurship Development Scheme (YEDP);
8. The Nigeria Electricity Market Stabilisation Facility (NEMSF); and
9. The Non-Oil Export Stimulation Facility (NESF) and Export Development Facility (EDF).

In line with his promise at the unveiling of his Agenda in 2014, the National Collateral Registry (NCR) has since commenced operation with the objective of enhancing access to credit to Micro, Small and Medium Enterprises (MSMEs), as that sector remains the catalysts of economic growth in Nigeria.

Beyond all these, the Bank has continued to ensure the protection of Bank customers, effective supervision of Deposit Money Banks and Other Financial Institutions; and deepening of financial inclusion through an effective banking and payments system.

In recent times, Governor Emeziele has also backed up his pledge to facilitate job creation with the creation of the Creative Industry Financing Initiative (CIFI), which is being implemented in collaboration with the Bankers' Committee.

Without equivocation, Emeziele's contribution to the development and growth of the Nigerian economy, as well as innovations in development financing, earned him President Muhammadu Buhari's nomination for a second term in office as CBN Governor; the first time anyone had been so nominated since 1999.

The achievements of the CBN Governor have also not gone unnoticed as evidenced by the accolades received both locally and internationally. Emeziele is a recipient of the prestigious Zik Prize for professional leadership as well as several other awards from leading Nigerian and international media such as Forbes, The Sun, The Guardian, Vanguard, Leadership, Tribune and Silverbird, for the role he played in the financial stability and economic growth of the country.

He also holds an honorary Doctorate Degree of Business Administration (Honoris Causa) of the University of Nigeria, Nsukka.

A holder of the National Honour of the Commander of the Order of the Niger (CON), Emeziele is happily married with children.

Emefiele Takes Over

...His 10-Point Agenda for a People-Centered Bank



The CBN Governor at his maiden World Press Conference on June 5, 2014

Mr. Godwin Emefiele walked into the annals of the Central Bank of Nigeria (CBN), when he assumed office on June 3, 2014 as the tenth indigenous Governor of the financial regulatory institution.

Unveiling his 10-point agenda for the CBN and the financial sector, in his maiden world press conference on June 5, 2014, Emefiele said his vision was to create “a Central Bank that is professional, a central bank that is apolitical, and people-focused.” According to him, he and his team would strive to develop a Central Bank that is devoted to building a resilient financial system that can serve the growth and development needs of Nigeria.

While acknowledging the successes recorded by the Bank under his predecessors in the areas of financial system stability, low inflation, exchange rate stability, an efficient payment system, and a

consistent monetary policy, Emefiele pledged to champion policies that will promote the sustainability of the country's macroeconomic stability.

As a first step, he said the CBN, under his leadership, would pursue a gradual reduction in interest rates, adding that his team, in enhancing financial access and reduced borrower cost of credit, would pursue policies targeted at making Nigeria's treasury bill rates more comparable with those of other emerging markets. and by extension, pursue a reduction in both deposit and lending rates.

He highlighted the importance in reducing deposit rates to encourage investment attitudes in savers, as well as a reduction in lending rates to make credit cheaper for potential investors. Emefiele disclosed that the CBN would also introduce the unemployment rate as one of the key variables

considered for its Monetary Policy decisions, just as he said the Bank would maintain a monetary policy stance that reflected the liquidity conditions in the economy.

On the exchange rate policy, the new Governor said the Bank would focus on maintaining stability in the foreign exchange market and preserving the value of the domestic currency. Specifically, he said the Bank would sustain the managed float regime in the management of the exchange rate, in order to intervene when necessary to offset pressures on the exchange rate, which were quite huge at the time he assumed office. To underscore this move, he said the Bank would strive to build-up and maintain a healthy external reserves position and ensure external balance. Acknowledging the challenge of simultaneously reducing interest rate and maintaining the exchange rate, he said the CBN, under his watch would collaborate with all stakeholders to evolve processes that would ensure the attainment of the goals.

Very much aware of the potential threats in the financial system, the Governor declared that the core of his vision was “to effectively manage potential threats to financial stability and create a strong governance regime conducive for financial intermediation, innovative finance and inclusiveness.” These he anchored on two columns of (i) managing factors that create liquidity shocks and (ii) zero tolerance on practices that undermine the health of financial institutions.

Emefiele's maiden address also touched on pursuing a zero-tolerance policy on fraudulent borrowers, with the target being serial debtors who access loans from different banks and default on all of them even when they have the means to pay. To give this the necessary bite, he disclosed that the Bank would, among other things, enhance the operation of Credit Reference Bureaus, establish a Secured Transaction and National Collateral Registry; and strengthen the sanction system to include blacklisting of companies/individuals that have been found to be serial loan defaulters.

Other issues he said the Bank would do under his watch were to ensure stricter banking supervision with the training of sector-specific examiners and enhanced payment system. Another issue at the

core of his vision was development banking, through which he said the Bank hoped to generate jobs for millions of Nigerian youth. He did not mince any words about that by stressing that the CBN would act as a financial catalyst by targeting predetermined sectors that can create jobs on a mass scale and significantly reduce the country's import bills. He pledged that the CBN would deploy developmental initiatives to create an enabling environment with appropriate incentives to empower innovative entrepreneurs to drive growth and development.

Related to this, the new CBN helmsman said he would build on the existing structures for funding Small and Medium Enterprises (SMEs) by developing a new framework that will allow Nigerians who require as low as N50,000 without collaterals through registered and accredited local cooperatives. He said the CBN would also encourage venture capital companies to fund SMEs, while also urging the Bankers' Committee to play more active role in supporting SMEs in the country. While bemoaning Nigeria's high import bills, in excess of N1.3 trillion annually, particularly for items such as rice, fish, wheat and sugar, Emefiele said the Bank's Interventions in the agricultural sector would be driven towards improving productivity in areas with high domestic demand, where opportunities exist to improve domestic supply, such as rice, fish, wheat and sugar and conservation of foreign exchange.

In his words, “the CBN would facilitate the creation of an ecosystem that will identify and link various local producers and processors with major importers of selected products.” He expressed confidence that, by building on existing development finance initiatives and with the introduction of novel programmes that will address challenges in the value chains of selected crops, the country will scale up its agricultural produce.

The CBN Governor also talked about the Bank adding value in the power sector by facilitating investment in key parts of the value chain by providing funds at concessionary rates to targeted investments in the power sector. Similarly, he said the Bank would support other sectors such as Oil and Gas, health, and education, within the limit of its mandate.

The Emefiele

10

POINT AGENDA

- 1** Pursue a gradual reduction in key interest rates, and include the unemployment rate in monetary policy decisions;
- 2** Maintain exchange rate stability and aggressively shore up foreign exchange reserves;
- 3** Strengthen risk-based supervision mechanism of Nigerian banks to ensure overall health and banking system stability;
- 4** Build sector-specific expertise in banking supervision to reflect loan concentration of the banking industry;
- 5** In view of inadequate trigger thresholds from a macro-prudential perspective, consider and announce measures to effectively address this anomaly;
- 6** Abolish fees associated with limits on deposits and reconsider ongoing practice in which all fees associated with limits on withdrawals accrue to banks alone;
- 7** Introduce a broad spectrum of financial instruments to boost specific enterprise areas in agriculture, manufacturing, health, and oil and gas;
- 8** Establish Secured Transaction and National Collateral Registry as well as establish a National Credit Scoring System that will improve access to information on borrowers and assist lenders to make good credit decisions;
- 9** Build resilient financial infrastructure that serves the needs of the lower end of the market, especially those without collateral;
- 10** Renew vigorous advocacy for the creation of commercial courts for quick adjudications on loan and related offences.

Emefiele Assumes Office: Expectations of stakeholders



Governor Emefiele as a guest speaker at the Creative Nigeria Summit, Lagos

Tuesday, June 3, 2014, marked the end of an era and the beginning of another in the Central Bank of Nigeria (CBN), when then Acting Governor, Dr. (Mrs.) Sarah Omotunde Alade, handed over the reins of office to Mr. Godwin Emefiele, following the latter's nomination by the President and subsequent confirmation by the Senate of the Federal Republic of Nigeria.

When Emefiele assumed office, Nigeria's economy faced huge challenges: the price of crude oil, the country's economic backbone, had declined by over 70%, leading to a huge drop in foreign exchange inflows. The foreign reserves had also dropped significantly from about US\$62 billion in 2008 to US\$37 billion. Furthermore, the demand for forex by customers rose to a record high of US\$1.2 billion per week and US\$4.8 billion per month. At that time, the global economy equally had to contend with serious headwinds as the

United States Federal Reserve Bank, ending Quantitative Easing and embarking on the normalization of its monetary policy. The country's Gross Domestic Product (GDP) also suffered a slump, falling from a rate of 6.3% in 2014, to 2.35% in Quarter 2 of 2015.

With all these staring the new Governor in the face, the expectations of different stakeholders were high. Considering all that heralded the advent of Emefiele as CBN Governor, people sought to know his game plan for managing the Nigerian economy in collaboration with the fiscal authorities. Regardless of his success at Zenith Bank Plc, stakeholders looked forward to seeing if he would perform better than his predecessors in that position.

In his maiden World Press Conference on June 5, 2014, the Governor, with over 25 years' experience



The Governor delivering an address at a Bankers' Committee Meeting

in banking, declared that his desire was to lead a central bank that spends its energies on building a resilient financial system that can serve the growth and development needs of Nigeria.

Perceived as a conservative, Emefiele's disposition was seen as what was needed by the Chief Central Banker who had declared that the Bank under his watch would be apolitical, professional and people-centered. Therefore, expectations of industry watchers came mainly from what he promised to do at that maiden press conference.

He no doubt wormed his way early into the hearts of bank customers when he suspended handling charges on cash withdrawals and deposits and directed all banks to halt the collection of such charges. This move was particularly embraced by bank customers, majority of who complained that the banks had imposed excessive charges on cash deposits, thereby discouraging saving.

Another aspect that excited stakeholders looked forward to, was the idea of growing the economy and industrialising the Nigerian economic base through the development banking model. In one of his earliest interviews as CBN Governor, Emefiele told a leading national newspaper that his immediate priority was to take his attention beyond financial system stability to cover macroeconomic stability using the development banking model.

According to him, the Bank would focus on achieving macroeconomic stability by holding exchange rate strong using various monetary policy tools as well as keeping interest rate low and affordable for businesses that require finance. He said the CBN would focus on development

banking to support the growth of the real sectors of the economy particularly agriculture and the manufacturing sectors. With the large army of economically excluded also getting Emefiele's attention, expectations were equally high that those at the bottom of the economic pyramid would be brought into the fold and catered for through different policies and banking services.

A peep into what the business-focused newspapers reported at the time indicate that the expectations of stakeholders was high with regard to the coming of Emefiele as CBN Governor. THISDAY Newspaper reported Yvonne Mhango, Sub-Saharan African Economist and Director, Renaissance Capital, as saying that a firm monetary stance by the then "new leadership" of the CBN was non-negotiable in order to improve on the current positive tempo. Mhango was quoted as saying: "We expect incoming Governor Emefiele to sustain a firm monetary stance. Given our projection of a continued decline in foreign reserves until the elections, which is negative for the Naira, and Emefiele's aversion to devaluation, we think the MPC may be compelled to further tighten monetary policy in 2014."

Also captured by the Daily was what the then Chairman, Nigerian Economic Summit Group, Mazi Sam Oluwabunwa, said when he called for a chain of steps, which in his opinion would give Nigerians the desired rest of mind on financial and economic matters.

The newspaper quoted Oluwabunwa thus: "Inflation is down at about eight per cent, so he [Emefiele] needs to also adjust the MPR to bring down interest rates and may also ease the strain on the reserves by allowing the naira to float a little bit. Secondly, he needs to see how he can support revenue recovery and growth for the Federation. He must bring some influence in helping to seal any revenue leaks in oil proceeds. Thirdly, he needs to depoliticise the CBN by wearing the toga of a professional central banker."

Speaking on the internal structure at the CBN, Oluwabunwa noted that, Nigerians would expect the new Governor to consider expand the manning levels and maintaining the federal character in the process. Having successfully managed one of Nigeria's biggest deposit money banks, some

analysts assessed his coming on board as a good omen based on the fact that he understood the workings of the system and as such would be able to create a balance by checking perceived excesses of the banks. Considering what transpired before his advent as Governor, some

in the near future because of the import-dependence status of the Nigerian economy. Analysts were sure that the CBN would defend the Naira at all cost. Then there is power sector issue, which remains key to the country's development as a mega economy.



From the left to right: Aliko Dangote (Founder/Chairman of Dangote Group), Rotimi Amaechi (Minister of Transportation), Babatunde Fashola (Minister for Works and Housing), Zainab Ahmed (Minister of Finance) & Godwin Emefiele (Governor, Central Bank of Nigeria)

analysts reasoned that Emefiele would act as a balm to the relationship between the fiscal and monetary authorities, on the one hand, as well as the Bank and the legislature on the other, without compromising the independence of the regulatory institution.

Other areas which stakeholders expect the CBN helmsman to make good his promise is in the area of making the Bank play the role of catalyst in creating jobs in strategic sectors of the economy with the potential of employment boom. Stakeholders also expect the Governor to check the seeming hemorrhage of the country's reserves, particularly through high import bills on items that can be produced locally.

Also highlighted by stakeholders are the issues of the Asset Management Corporation of Nigeria (AMCON) and unresolved issues around the deposit money banks that were taken over during the tenure of his predecessor in office. There is also the thorny issue about the devaluation of the Naira, which Emefiele has said would not happen

Due to the general elections, which were less than a year away at the time, analysts were unanimous in their view that the monetary policy stance of the CBN would not be changed. Their reason was that the electioneering process brought with it, huge liquidity potential, which could impact on exchange rate volatility.

Some analysts were also hopeful that the CBN Governor will venture into the issue of non-performing loans (NPLs), which were a huge burden to many of the banks. Coming from one of the big banks, analysts are of the view that Mr. Emefiele's mettle will be tested on how he handles the issue of NPLs and forbearance.

Judging by his body language at his maiden World Press conference, one thing is clear – Godwin Emefiele knows what time it is and will leave no stone unturned in his quest to make the Central Bank of Nigeria (CBN) a people-centered bank that will help move the nation's economy in an upward trajectory.



**Weathering the Storms of Global
Economic Meltdown and Recession
with Heterodox Monetary Policy**



Understanding Heterodox Monetary Policy Decisions



Emefiele at an MPC press briefing

As the central bank and monetary authority of the country, the major regulatory objectives of the Central Bank of Nigeria (CBN), as stipulated in the Bank's enabling Act, are to maintain the external reserves of the country, promote monetary stability, a sound financial environment and to act as a banker of last resort.

In this strategic turf of central banking, the establishment must adroitly read and proactively react to a laundry list of fluid scenarios, which include geopolitical and trade tensions that unquestionably impact the dynamics of global trade. These strains often spawn threats to macro-economic stability and even the monetary policy footing of the nation.

For instance, a combination of factors, including financial market volatilities, trade war between the US and key allies, continuing monetary policy normalisation by the US, BREXIT, the termination of the European Central Bank's (ECB) asset purchase

programme in December 2018 and the slowdown in the Chinese economy, were factors that heightened uncertainties for the global economy. The pandemic, Coronavirus, (COVID-19) further dealt an unexpected devastating blow necessitating countries worldwide to embark on individual approaches to tackle the pandemic.

Though global growth was downgraded by the IMF to 3.5 per cent in 2019 from 3.7 per cent in 2018, and projected 4.9 percent growth for 2020, 1.9 percent points below the April 2020 World Economic Outlook. However, the COVID-19 pandemic has had a more negative impact on economic activities in the first half of 2020 than anticipated, and recovery is projected to be more gradual than previously forecasted. Nigeria is not an exemption.

Confronting this menace and managing this seismic environment requires a bold, well-informed and experienced administrator on duty.

Tossed in the circumspect engagement with aggravations seeded by rising tendencies and incidences of protectionism, new nationalism and anti-globalisation – especially in the western hemisphere – it is then clear that greenhorns have no business in the Bank's command room.

No less a magician's nightmare, among other critical regulatory responsibilities, tracking monetary-cum-fiscal policy parameters in the turbulent sea of financial world and making delicate adjustments as necessary with the ship of state steaming at full speed requires no less a navigator with adroit multi-tasking skills and a cool head. Leadership continuity at the helm is thus crucial to avoid another economic crisis.

It is to this complex, fluid turf of central banking, that the CBN Governor, Mr. Godwin Emefiele, CON, brought over three decades of both theoretical and practical experience from top-flight academic and hands-on banking turfs to. In the present circumstance, Godwin Emefiele has been admirably deploying governance skills groomed in the stern, high-octane financial industry, in effectively driving CBN's command room these past six years.

To critical industry stakeholders, this unassuming banking guru certainly deserves kudos for keeping faith and demonstrating uncommon commitment and professionalism in a particularly challenging period of the national trajectory.

Logic and reason reinforce this position. As at June 3, 2014 when Emefiele assumed office, Nigeria's reserves had fallen from a peak of US\$62b in 2008 to US\$37b. But following the sharp drop in crude oil prices, the nation experienced a plummeting of the CBN's monthly foreign earnings from as high as US\$3.2 billion to as low as US\$700 million monthly. To avoid further depletion of the reserves, the CBN took many countervailing actions including the prioritisation of the most critical needs for foreign exchange.

In this regard, and in order of priority, the CBN decided to provide the available but highly limited foreign exchange to meet important needs such as matured letters of credit from commercial banks, importation of petroleum products, importation of critical raw materials, plants, and equipment,

payments for school fees, BTA, PTA and related expenses.

Over the intervening period, it was heartening to note that, these policies had yielded and still yielding positive results. The CBN was able and managed to stabilise the exchange rate around February 2015 till the outbreak of the Coronavirus in 2019, thereby creating certainty for both household and business decisions. It largely eliminated speculators and rent seekers from the foreign exchange market.

Reserves, despite having fallen were still robust and able to cover about six months of Nigeria's imports as against the international benchmark of three months. The domestic production of items prohibited from the foreign exchange market picked up nationwide, thereby creating more jobs for millions of Nigerians.

The demand for foreign exchange by mostly domestic importers has risen significantly. For example, the last time the nation had oil prices at about US\$30/32 per barrel for an extended period of time was in 1998/99 with import bill of US\$1,067 billion per month, which rose to N148.3 billion per month in 2015. In stark contrast, Nigeria's average import bill in 2015 was over N1 trillion monthly. The net effect of these combined forces unfortunately was the depletion of the nation's foreign exchange reserves. The stock of foreign exchange reserves thus declined to around US\$25.4 billion.

Further to, and as part of its long-term strategy for strengthening the Nigerian economy, the Central Bank established specific initiatives to resolve the underlying factors goading challenges to long-term GDP growth, economic productivity, unemployment and poverty that had pervaded the economy over the past decades. Measures were deployed to increase credit allocations to pivotal productive sectors of the economy. This is with a view to stimulating increased output in these sectors, creating jobs on a mass scale and significantly reducing import bills.

These targeted interventions have so far impacted such sectors as agriculture, power, micro, small and medium-scale enterprises (MSMEs), workers' salary/pensions assistance fund, infrastructural assistance to states, emergency fiscal spending,



Gov. Emefiele during home coming lecture at University of Nigeria , Nsuka

improving FX supply and financial inclusion, as well as the health sector.

Determined Emefiele, during a meeting with textile manufacturers and cotton farmers, had announced the inclusion of textile products on the long list of items restricted from foreign exchange (FX) for import into the country. The restriction order, which took immediate effect, had brought the number of such items to 44, including milk and other dairy products, cement and tomatoes paste. His words then: "Effective immediately, the CBN hereby places the access to FX for all forms of textile materials on the FX restriction list. Accordingly, all FX dealers in Nigeria are to desist from granting any importer of textile material access to FX in the Nigerian foreign exchange market. In addition, we shall adopt a range of other strategies that will make it difficult for recalcitrant smugglers to operate banking business in Nigeria."

He explained to his rapt and excited audience why textile products had to be included on the forex restriction list: His words: "Today, Nigeria currently spends above \$4 billion annually on imported textiles and ready-made clothing. "With a projected population of over 180 million Nigerians, clearly the needs of the domestic market are huge and varied, with immense prospects, not only for job creation, but also for growth of the domestic textile industries.

" A quick example that highlights the potential of this local market is the need to support the provision of uniforms and clothing apparels for

school students, military and paramilitary officers as well as workers in the industrial sector."

All these policy measures among others, though tagged unorthodox by the western media, by the Emefiele-led CBN were conceptualized and deployed to boost the Nigerian economy and aid the economic transformation effort of the President Muhammadu Buhari's administration. Surprisingly, and unexpectedly, the President rewarded Emefiele with a second tenure. A history made since the return of democracy in the country and the Bank.

Breaking the jinx, Emefiele continued with the task of using the Bank as a catalyst for growth using it as a fulcrum to arrest the hydra-headed high unemployment and widespread poverty. Fixed on his conviction, he conceived PAVE – Produce, Add Value and Export, a concept to make Nigerians consume what they produce, add value to it, and export. An initiative akin to South-East Asia policy export-led industrialization policy which changed the economic texture of countries as South Korea, Taiwan and Singapore. Aptly captured, PAVE is the substitute to oil, which its production and export has had little or no impact on Nigerians welfare in terms of employment and wealth creation.

In June 2019, and in furtherance of his mission, Godwin Emefiele organized a stakeholder engagement, themed: CBN Going for Growth 1.0 in Lagos, to seek ways on how to move the economy forward, more importantly from oil. The gathering involved technocrats, bureaucrats, chief executives of deposit money banks and industrialists, to chart a fresh way forward for the economy.

As if he was a seer who foresaw the outbreak of the Coronavirus, COVID-19, and to back up the success of the first stanza and build on it, the second edition was held in Abuja at the outbreak of the pandemic, purposely to generate viable and actionable ideas with the CBN in its onerous mission of diversifying the economy, particularly in non-oil and agricultural products.

Rice pyramids have mounted in Kebbi State, as rice is now being produced in about 26 states in the federation, making Nigeria almost self-sufficient in



Governor Emezie pointing the way forward

rice production. So also, is the bumper harvest that have been recorded in sorghum, maize, millet, cassava, tomatoes and cotton farmers under the CBN's Anchor Borrowers' Programme. With improved financing by the banks, to enhance capacity utilization of agricultural firms involved in the production of the 10-identified commodity models; the country has begun to witness high production as well as increased income for farmers. However, critics of Emezie had questioned his intervention policies, accusing the CBN Governor of straying from the bank's mandate of monetary policy formulation into foggy terrain of fiscal matters.

With the current reality, one could have imagined what Nigeria would have laid hands on with the devastating rampage of the COVID-19 that has dealt heavy blow to the global economy, coupled with the crude oil price war that raged between Saudi Arabi and Russia. These indeed exposed the fragility of the Nigerian economy and the need to wake up and join Godwin Emezie's crusade on economic diversification which previously seemed elusive. With the outbreak of COVID-19 and the

reality of the economy, the clamour for diversification from oil has heightened, and this was the consensus at the second edition of CBN's Going for Growth 2.0: Coronavirus and the Economy. The crash of stock market globally therefore underscores the role central banks play not only in regulation, but in the economy. This has been exemplified by Godwin Emezie's intervention in agriculture and manufacturing.

The Nostradamus in Emezie foresaw this way back in 2014 when he assumed office and had been zealously pursuing economic diversification to steer the economy away from dependence on oil. Now that the rampaging virus has exposed the reality of the state of the Nigerian economy, with its mainstay – the crude oil, there is no better time than now to pick up the gauntlet and continue to support the CBN Governor. It was indeed high time we stopped been at the mercy of vicissitudes of the oil market when the country is endowed humanly and materially to be self-sustained. Emezie foresaw today years back, but he had been the lone voice crying in the wilderness.

Heterodox Monetary Policy: The Governor Explains



The CBN Governor, Godwin Emefiele, delivering a public lecture

Governor Godwin Emefiele used every opportunity to explain and canvass support for the heterodox monetary policy stance of the Bank. He took this advocacy to several Nigerian universities and institutions in a series of public lectures. On Saturday, July, 22 2017, Mr. Godwin Emefiele challenged tertiary institutions in the country to focus on research that will boost economic development. He assured that the CBN would work with relevant stakeholders in the educational sector to stimulate research for the overall good of Nigeria. He gave the charge while delivering a lecture entitled: "The Dilemma of Monetary Policy and Exchange Rate Management in a Recession: Potential Options for Nigeria" at the second Homecoming Series of the Economics Department of the University of Nigeria, Nsukka (UNN).

Speaking on developments in the Nigerian economy, Mr. Emefiele traced the economic challenges at the time of the lecture to external

factors such as slide in the prices of crude oil as well as internal factors such as under-investment in domestic productive capacity, decayed infrastructure and the challenge of persuading deposit money banks in the country to channel credit to the real sector. These challenges, according to him, prompted the CBN to fashion out an appropriate exchange rate strategy to achieve price and financial system stability and restart growth.

Noting that the CBN had been unjustly castigated for taking actions in the best interest of the economy. The Governor said the Bank would not be deterred from its objective of setting the economy on the path of sustainable development in the medium to long-term. He also frowned at the consumption preference of many Nigerians, cautioning that Nigerians could not continue to rely on other countries for products that could be produced locally in Nigeria.



The Governor addressing the Association of African Central Banks (AACB)

As a way out of the situation, he emphasized the need for the country to invest in basic infrastructure such as roads, bridges, airports, railways and information technology, adding that the country also needed to explore opportunities for Public Private Partnerships in infrastructure projects that could offer lucrative returns to investors and help drive economic growth across Nigeria.

Other policy options listed by the CBN Governor include exploration for more revenue, pursuit of non-oil exports, and enactment of import-reducing policies that will encourage Nigerians to look inwards and discourage the importation of items that can be produced in Nigeria.

With the inflation rate still hovering above 16 per cent during the period Mr. Emefiele said the CBN would be failing in one of its key mandates if it cuts interest rates at that time. He disagreed with argument of those pushing for a rate cut as a path to growth, noting that high inflation was inimical to economic growth.

Governor Emefiele would return to the University of Nigeria, Nsukka on November 30, 2017 to speak on "A Mind-set for Succeeding in Today's Nigeria". As a former lecturer who taught Finance, Bank Management and Insurance at the University of Nigeria Nsukka, and University of Port-Harcourt respectively, Godwin Emefiele was no stranger to the podium of public intellection and thus, it was no surprise that he regaled his audience about

economic development and policies. He challenged the graduands to recognize the opportunities presented by various aspects of the Nigerian environment, be self-motivated, create innovative ideas and turn these ideas into profitable ventures.

The Governor also harped on the importance of local production and reminded the audience that the vulnerabilities of Nigeria to global shocks were amplified because of our over-reliance on the oil sector for FX revenue and for government finances. He revealed decisions taken by the Bank in monetary policy to tighten the rein of inflation using the MPR and the Open Market Operations(OMO).

Another submission by the Governor at the event was the reassuring pronouncement that the Central Bank of Nigeria (CBN), had designed and formulated a number of policies and programmes for direct real sector intervention and is reviewing the broad frameworks of its development financing funds with a view to creating new channels through which entrepreneurs with great ideas could access credit with minimal effort.

On Friday, October 13, 2017, Godwin Emefiele was guest lecturer to the participants of Senior Executive Course 39 at the National Institute of Policy and Strategic Studies (NIPSS), Kuru. At the event, the CBN Governor delivered a paper "Financing Science, Technology and Innovation (STI) for the development of Agro-Allied Industries in Nigeria", in which he posited that investment in Science, Technology and Innovation (STI) held the key to the economic progress and development of any nation.

Mr. Emefiele noted that myriad of challenges impeded the financing of STI or indeed entire agricultural value chain. He listed these challenges to include access to finance, cost of borrowing and absence of alternative known traditional sources for funding.

According to the Governor, records showed that budgetary allocation to the Ministry of Science and Technology for 2015, 2016 and 2017 as a per cent of total was far too low to achieve the drive towards harnessing STI to develop agro-allied industries as well as other sectors. He stated that the identification of these gaps pushed the CBN into

playing a major role under its intervention schemes to provide funding at a single digit interest rate to agriculture and inclusive agro industries. He listed these intervention schemes to include:

The Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NISRAL), the Agricultural Credit Guarantee Scheme (ACGS), the Commercial Agricultural Credit Scheme (CACCS), the Small and Medium Scale Enterprises Refinancing and Restructuring facility (SMERRF), the Anchor Borrowers' Programme (ABP) and Youth Entrepreneurship Development Programme (YEDP).

On Friday, May 17, 2019, Godwin Emeziele was on the lecture circuit again, this time to share his thoughts on some of the factors that led to the economic recession between 2016 - 2017; the policy measures implemented by both the monetary and fiscal authorities, and some of the measures that ought to be considered in the efforts to build an economy that will support improved wealth and job creation for a majority of Nigerians. He was the guest lecturer at the Special Convocation of the University of Nigeria, Nsukka, held at the Princess Alexandra Auditorium, University of Nigeria, Nsukka, Enugu State.

Emefiele argued that the economic recession between 2016 – 2017 provided additional impetus on the need to promote a pro-growth strategy, that will reduce our reliance on earnings from the sale of crude oil, as well as our dependence on the importation of items that can be produced in Nigeria. He further said that in a bid to contain rising inflation and to cushion the impact of the drop in FX supply on the Nigerian economy, the monetary and fiscal authorities took extraordinary measures to meet these challenges. Some of the measures include: Monetary Policy - Over the intervening period of the slowdown in the economy, the CBN embarked on a cycle of tightening which culminated in a July 2016 hike in the Monetary Policy Rate from 12 percent to 14 percent.

This decision was expected to rein in expected inflationary pressures and set off increased capital inflows to the country; Conserving Foreign Exchange - introduced a demand management approach in order to conserve reserves and support domestic production of items that can be

produced in Nigeria. This encouraged manufacturers to consider local options in sourcing their raw materials, by restricting access to foreign exchange on 43 items; Risk Based Supervision - The weakening of the Naira, following the shift to a more flexible foreign exchange mechanism along with the exposure of several banks to the oil and gas sector, impacted somewhat on the balance sheets of domestic banks. To support the health of the banking system, the CBN took a number of steps, including assessment of the risk profile and governance management practices of banks in the event of major deteriorations on any key risk indicator.

To complement these monetary policy actions, Emeziele revealed that- The Fiscal authorities concentrated on Growth-enhancing Fiscal Policy by examining ways in which fiscal policy could support household consumption and business investments, as these two factors make up more than 85 percent of Nigeria's GDP by expenditure. In this regard, the Federal Government budgets were readjusted to adequately address priority infrastructure needs that would support improved investments by the private sector. This was complemented by various Presidential initiatives on improving the ease of doing business in Nigeria, dismantling regulatory bottlenecks, enhancing competitiveness and industrialization. He affirmed that the unconventional tools being employed by the CBN would be effective to build a sustainable productive base for the nation.

The public lecture train of Godwin Emeziele berthed at the University of Benin on May 22, 2019 to deliver an eminent person's lecture. The Governor was assigned a very apt topic titled "Beyond the Global Financial Crisis: Monetary Policy under Global Uncertainty". The event was another opportunity to reiterate his message of economic patriotism to the University of Benin community.

Emefiele urged actors in the public and private sectors to look inwards in developing the Nigerian economy and charged all Nigerians to think of what they could do to improve the fortunes of the Nigerian economy, rather than what they could benefit from the economy. The Governor further noted that there was much potential within the Nigerian economy to make it as developed as



Governor Emeziele addressing participants at the Youth Innovative Entrepreneurship Development Programme

other countries, which were its peers at independence but had gone ahead to become more developed. He gave an overview of how central banks across different economic blocs responded to the global financial crisis, adding that while the impact of the global financial crisis had little effect on the Nigerian economy, the drop in commodity prices between 2014 – 2016, brought to the fore the limitation of conventional monetary policy tools. The Governor highlighted how the crisis had helped to reshape monetary policy tools used by central banks to address dips in their economies.

According to him, “the 60 percent drop in crude oil prices between 2014 – 2016 along with normalization of Monetary Policy by the United States Federal Reserve Bank in 2014, imposed severe constraints on the Nigerian economy, given our reliance on crude oil for over 90 percent of our export earnings and 60 percent of government revenue.”

He explained further that the CBN and the fiscal authorities, in an effort to contain the crisis, decided to deploy both conventional and unconventional tools to support continued growth of the economy. Emphasizing that the CBN, in employing unconventional monetary policy measures, decided to intervene in critical sectors of the economy, such as agriculture and manufacturing. This, he noted would promote growth in the economy and boost employment opportunities as well as address the stability of the

financial system and provide support against external pressures.

He restated the need to promote sustainable growth through the increase of policy buffers and a further diversification of the Nigerian economy away from oil, to other non-oil produce. He similarly stressed the need for huge investment in infrastructure in order to enhance economic growth and provide cheap financing to boost the local production of priority goods in critical sectors of the Nigerian economy to reduce reliance on foreign imports. Emeziele pledged that the Bank would continue to take a proactive approach in easing the likely adverse effects that may emanate from external pressures. He said the Bank would promote policies that will enhance domestic production of goods that can be produced in Nigeria along with measures that improve the stability of the financial system.

In conclusion, he stressed the need for increased coordination between fiscal and monetary policies in deploying measures that will support economic growth and reduce unemployment. The University of Benin session was only the first in a trilogy of podium appearances for Governor Godwin Emeziele in the month of May, 2019. Two days after his presentation at Benin, the Governor arrived at the historic University of Ibadan to deliver another thought-provoking presentation titled: “Up Against The Tide: Nigeria's Heterodox Monetary Policy and The Bretton Woods Consensus” during the distinguished leadership lecture series organized by the University on 24th May, 2019.

The Governor attributed the success story recorded by the Bank to the adoption of heterodox macroeconomic policies. Emefiele posited that the favorable outcomes and strengthening outlook of the Nigeria economy is traceable to the timeous adoption of non-traditional policy methods.

He said that "Within the CBN, our unconventional methods especially in the management of the FX market and our development financing supported by the orthodox approaches in form of timely adjustments of monetary policy rate have been able to optimally balance the delicate objectives of price stability and real output growth."

He held that the CBN's experience with heterodox policies expanded during the recent economic crisis that begun in 2014 due to a number of global shocks, three of which were simultaneous and significant in shaping the trajectory of the Nigerian economy.

According to the Governor, "To our critics, who are against the imposition of the FX restrictions, conventional Monetary Policy requires that to encourage domestic production, we should impose higher tariffs and levies. However, our experience in Nigeria has shown that this practice has never worked due to certain inefficiencies in attaining these objectives."

Emefiele concluded the lecture by insisting that "Our argument for the unconventional Monetary Policy approach has always been that just like fiscal, monetary policy could, at a time when development challenges abound, complement the efforts of the fiscal in employment generation, wealth creation and attainment of other growth objectives" and proclaimed that regardless of the opposition to it, these unorthodox policies were well conceived.

Governor Emefiele's next stop was the Edo University, Iyaho, to deliver a lecture titled "The role of economic monitoring policy towards development of Nigeria" on Friday, November 1, 2019. Emefiele, who was the convocation lecturer maintained that the favorable outcomes and strengthening outlook of the Nigerian economy was traceable to the timeous adoption on unconventional monetary policy tools.

He told an attentive audience that the CBN had been able to reduce inflation, build FX reserves, maintain FX market stability, and foster real growth through the use of unorthodox policies. However, he admitted that there were still challenges. According to him, "The pace of population growth at about 2.6 per cent still outstrips real growth rate while inflation is outside our tolerance band.

Emefiele said these challenges required that the government strengthen its efforts at enhancing growth in productive sectors of the economy, which will help in insulating the economy from external shocks. He further added: "Nevertheless, I am happy to note that much of the success we see today is due to the adoption of unconventional macroeconomic policies. Within the CBN, our unconventional methods (especially in the management of the FX market and our development financing) supported by the orthodox approaches (in the form of our timely adjustments of monetary policy rate) have been able to optimally balance the delicate objectives of price stability and real output growth."

Emefiele, also called on Nigerians to embrace agriculture as a more sustainable means of job creation as this would further stimulate the economy from external shocks. He said the country must stand resolute in protecting its borders from smugglers and dumping, adding that the closure of its borders will not only act as an incentive to boost production in the agricultural sector, but also help its neighbours to adopt measures to better run their economy and create jobs.

The CBN Governor noted that Edo State, for instance, could generate over 200,000 jobs and millions of dollars in foreign exchange from supporting cultivation and processing of palm oil. He concluded by explaining how the Bank would leverage unconventional monetary policy instruments in improving local production of commodities, as growth in the country's agriculture and manufacturing sectors remained critical in government's efforts to create a diversified wealth base for the country. The lecture tour bus of Godwin Emefiele reached its final destination for the year 2019 when he delivered the keynote address entitled: "Strengthening the Economic Recovery Process in Nigeria" at the 53rd Annual Bankers' Dinner of the Chartered Institute



Emefiele speaking as special guest of honour at the 54th CIBN Annual Dinner

of Bankers of Nigeria (CIBN) on Friday, November 30, 2019. At this forum, Mr. Godwin Emefiele outlined the monetary policy thrust for 2020, saying that the Bank is of the view that the short-term outlook of the Nigerian economy remained good, adding that the tight stance of the Bank was expected to continue in the near-term, due to the rising inflation expectations and exchange market pressures.

He also said that the Bank, working with the Federal Government, was open to foreign investors who were keen to support efforts at unlocking the immense opportunities in Nigeria's economy. Said he: "Your Central Bank today is more committed to creating wealth and putting in place strong policies for creating jobs for our growing youth population; your Central Bank today is ever more committed to promoting a more stable and resilient financial system,".

Godwin Emefiele advised against hasty criticism of monetary policies, which he said were taken based on macroeconomic and geopolitical contexts. He assured that the CBN would always act in good faith, with the best available information and in cognizance of current economic conditions, to pursue price and financial system stability, support job creation on a massive scale and ensure a more inclusive growth in the economy.

On the restriction of access to foreign exchange from the Nigerian market for 41 (now 43) items that can be produced in Nigeria, he reeled out statistics to show that the policy had helped to boost local production of the items. He said that the combination of the restriction on the items along with other measures imposed by the fiscal and monetary authorities helped to promote the

recovery that got Nigeria out of recession.

He warned that any attempt to reverse the policy could negatively affect economic growth in the country, particularly as it relates to the push to diversify the Nigerian economy and also disclosed that the CBN's Economic Intelligence and Banking Supervision Departments would work closely with the Economic and Financial Crimes Commission (EFCC) to expose and sanction any bank, company or foreign exchange operator that colludes with individuals or companies to undermine the policy on 41 items.

Speaking on the success of the Anchor Borrowers' Programme, the Governor reported that the development finance intervention scheme had ensured that Nigeria emerged from being a net importer of rice to becoming a major producer of rice, supplying key markets in neighboring countries. According to him, as at October 2018, a total number of 862,069 farmers cultivating about 835,239 hectares, across 16 different commodities, had so far benefited from the programme, which had generated 2,502,675 jobs across the country.

He reported that the Nigerian economy had performed creditably compared to the performance of other emerging markets such as Brazil, South Africa, Turkey, and Argentina, adding that the country's dominance over the review period was due to the stability of the Investors & Exporters (I&E) Foreign Exchange window rate and the yields being high by emerging-market standards.

He said that in spite of the impact of the recession that Nigeria experienced, the country's economy remained the largest in Africa by the size of its GDP, with a very well diversified mix of opportunities across different sectors, such as ICT, manufacturing, solid minerals, trade and agriculture. He assured investors that their investments in the country would be protected by the monetary and fiscal authorities.

The keynote address also highlighted the efforts of the Bank at ensuring financial inclusion, credit allocation, risk-based supervision, gross domestic product, inflation, exchange rate, balance of payment and domestic credit. Thus, ended Governor Godwin Emefiele's lecture circuit to enlighten the citizenry on his economic patriotism advocacy.



Godwin Emefiele: One Good Term Deserves Another (2014-2019)



Legacies of the First Term



Governor Emezie taking his oath of office for his second term

Macroeconomic policies are made in such a way that their implementation will drive home the policy targets. This underpins the importance of policy making in economic management, as it serves as a middle ground between goals and targets.

Upon assumption in 2014 as the Governor of Central Bank of Nigeria, Mr. Emezie expressed an intention, to pursue gradual reduction in key interest rate; maintain exchange rate stability and strengthen risk-based supervision mechanism of Nigerian banks. "The core of my vision is to effectively manage potential treats to financial stability, and create a strong governance regime that is conducive for financial intermediation, innovative finance and inclusiveness", he said.

In his aim to reduce interest rate, he had eyes to check the perverse incentive where deposit money banks simply use depositors fund to buy risk-free government bonds; and relax to get their returns;

only to declare huge end-of-year profits without carrying out their duties as financial intermediators, that should create funds from the surplus to those areas with scarcity of fund. He also pledged to reduce borrowers' cost of credit by pursuing reduction in both deposit and lending rates with a view to encourage investment for savers and cheaper credit for potential investors.

Worthy to note is that policy makers face trade-off in dealing with exchange rate management, monetary independence and concerns about capital mobility; and good external reserves helps to buff the effect. All these came to play in the management of monetary policy within the period under review.

Interest Rate Policy

In 2014 when Mr. Emezie's assumed office, interest rates were generally influenced by domestic liquidity conditions and global economic factors, such as sharp fall in international crude oil

prices, tapering of quantitative easing by the United States Federal Reserve Bank, and dwindling foreign reserves. According to the CBN Annual Report, rates rose towards the end of year 2014 following the MPC decision to raise MPR to 13.0 per cent. These reinforced the need to continue with the tight monetary policy stance of the Bank in 2014. Also, in the year the weighted average prime lending rate fell by 0.14 percentage point to 16.55 per cent, while the average maximum lending rate rose by 1.36 percentage points to 25.74 per cent. However, the MPR was reduced to 11.0 per cent in November 2015 to ease monetary conditions in the market. The interest rates movement in 2015 was generally influenced by the liquidity condition in banks and the policy stance of the Bank.

interest rates in 2014 and 2015 to stem pressure in the foreign exchange market and curtail capital outflows as the United States gradually normalised its monetary policy. The Central Bank of Brazil in 2014 raised its policy rate four times from 10.5 per cent in January to 11.25 per cent in November, and in 2015 the rate was raised to 14.25 per cent. In Ghana, its policy rate was raised three times to 21.0 per cent in November and in 2015 the rate was raised to 26.0 per cent.

The Central Bank of Nigeria however lowered its policy rate from 13.0 to 11.0 per cent in November 2015 to stimulate lending to the real sector and spur growth and employment.



L-R, Aishah Ahmad (Deputy Governor, Financial System Stability), Godwin Emefiele (CBN Governor), Oluseye Awojebi (Registrar, CIBN) and Emeka Emuwa (CEO, Union Bank of Nigeria)

Comparatively with the global economies, monetary policy in 2014 and 2015 remained accommodating in most advanced economies due to growth concerns and fear of deflation. The Federal Reserve Bank and the Bank of England largely sustained their low policy rates at 0.25 per cent and 0.50 per cent, respectively. However, in December 2015, the Fed raised its rate by 0.25 per cent after years of record lows. In contrast, most emerging market economies increased their

In line with the restrictive policy stance of the Bank in 2016, the monetary policy rate (MPR) was increased twice, from 11.00 per cent to 12.00 per cent and further to 14.00 per cent to provide for positive real return on investment. According to the CBN Annual Report, the adjustment in interest rates was influenced by banking system liquidity arising from bank-financed fiscal operations of the Federal Government, bank's settlement for foreign exchange interventions, full implementation of the

Treasury Single Account (TSA), maturity of CBN Bills and liquidity withdrawals through the sale of CBN Bills by the Bank.

In 2017, Interest Rate Policy and Developments Interest Rates movement reflected the credit and liquidity conditions in the banking system and the Bank's monetary policy stance in the reviewed period. Consistent with the restrictive monetary policy stance, the monetary policy rate (MPR) and the cash reserve ratio (CRR) were retained at 14.00 per cent and 22.50 per cent, respectively. Other factors that contributed to the behaviour of interest rates during the year were: the fiscal operations of the Federal Government; effects of the adjustment in the CRR maintenance period; banks settlement for the foreign exchange interventions; and increased frequency of liquidity withdrawals through the sale and maturity of CBN Bills.

In 2018 interest rates movement in the money market reflected developments in the banking system credit and liquidity conditions during the review period. Despite the non-expansionary monetary policy stance of the Bank, major money market rates were generally lower than their levels in the preceding year, due to ample liquidity in the market during the review period.

Money Market Rates, the weighted annual average inter-bank call and Open-Buy-Back (OBB) rates were 13.11 and 12.15 per cent in 2018, compared with 21.36 and 24.61 per cent, respectively, in 2017. The weighted monthly average inter-bank call rate ranged from 3.10 to 25.43 per cent, while the average monthly OBB ranged from 2.88 to 21.63 per cent in the review period.

Average term deposit rate for the year rose by 27 basis points to 8.65 per cent in 2018, compared with 8.38 per cent in 2017, reflecting the Bank's effort to attract domestic savings. The weighted average prime lending rate fell by 55 basis points to 17.0 per cent, while maximum lending rate rose by 50 basis points to 31.15 per cent in 2018, compared with 17.52 and 30.65 per cent, respectively in 2017.

At the domestic scene, the key developments were: sustained economic recovery; increase in external reserves; persistent banking system

liquidity; and inflationary pressure. Consequently, the non-expansionary monetary policy stance of the Bank was maintained in 2018. The monetary policy rate (MPR) was retained at 14.0 per cent throughout the year, alongside the asymmetric corridor of +200 and -500 basis points around the MPR for the standing facilities.

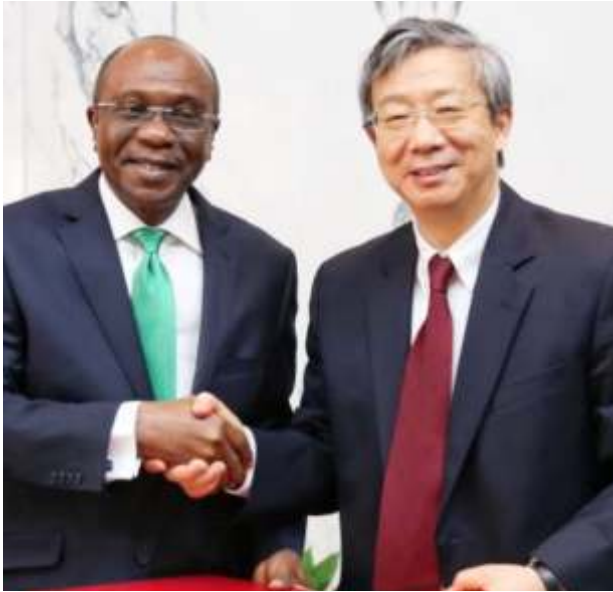
The cash reserve ratio (CRR) and liquidity ratio (LR) were retained at the respective rates of 22.5 and 30.0 per cent, to sustain the potency of previous monetary policy measures. The Bank also introduced a broader measure of money supply (M3) 1 during the review period to account for the monetary liabilities of primary mortgage and microfinance banks as well as the holdings of CBN bills by the non-bank public.

Foreign Exchange Policy

Nigeria, which has in recent history, been under diverse forms of managed float exchange rate regimes, had her financial borders opened with appreciable monetary policy independence. The Governor before assuming office understood that a systemic depreciation of the Naira would literally translate to inflationary pressure with attendant effect on the macroeconomic stability, thus his key goal for exchange rate policy was to maintain exchange rate stability. Much so of the high import dependent nature of the economy and significant exchange rate pass-through.

Hitting the ground running, the Governor in 2014 employed the Retail Dutch Auction System (rDAS) as the mechanism for foreign exchange management until February 18, 2015, when the Window was closed and all eligible demands for foreign exchange moved to the inter-bank segment. Measures were also taken to curb the demand pressure in the foreign exchange market, as well as conserve external reserves and unwholesome practices by authorised dealers. The continued fall in the price of crude oil since the last quarter of 2014 weakened the external sector in 2015.

The external reserves fell from US\$34.24 billion at end-December 2014 to US\$28.28 billion at end-December 2015. As a result, there was severe pressure on the exchange rate and the premium at the interbank and BDC rates widened, fueling arbitrage activities in the market. The Bank took



The CBN Governor, Mr. Godwin Emefiele and the Governor of the People's Bank of China, Yi Gang, at the signing of the three year currency swap agreement

measures to exclude 41 items from the list of goods valid for foreign exchange at the official window and limited the usage of Naira-denominated cards overseas to US\$300.0 per person, per day.

In addition, the weekly foreign exchange cash sale to BDCs was reviewed from US\$15,000.00 to US\$10,000.00 per BDC in December 2015. The minimum capital requirement of 35.0 million for BDCs was maintained and ownership of multiple BDCs prohibited. Economic analysts and operators in the real sector lauded most of the initiatives as they triggered an inward search and innovation to produce items ordinarily imported, gulping a huge forex that would be used for other primary needs of the economy.

The foreign exchange market witnessed increased demand pressure, especially in the second half of 2018, on account of capital flow reversal, precipitated by the normalisation of interest rates in advanced economies, particularly the US, and perceived political uncertainties in the wake of the 2019 general elections. The CBN sustained its intervention in the foreign exchange market and adopted various measures to promote stability of the Naira and engendered a stable macroeconomic environment. The Bank however abolished commission on retail foreign exchange transactions on invisible services, such as business travel allowance (BTA), personal travel allowance

(PTA), medical and school fees. The Bank also adjusted downward, the selling rate of foreign exchange to Bureaux de Change (BDC) operators and increased the frequency of its interventions in other windows, to ease access and availability of foreign exchange to end-users.

The CBN, on April 27, 2018, signed a 3-year bilateral currency swap agreement of US\$2.5 billion, equivalent to ¥15.0 billion or N720.0 billion with the Peoples Bank of China (PBoC), as part of effort to reduce foreign exchange demand pressure and facilitate investment. Furthermore, the Bank added fertilizer to the list of "items not valid for foreign exchange" in the official market, bringing the total number of items to 42 at the time. The stability in the foreign exchange market was sustained into 2018, on account of the foreign exchange management measures implemented by the Bank. Thus, the premium between the average interbank and BDC rates narrowed significantly to 18.1 per cent in 2018, compared with 29.3 per cent in 2017. Similarly, the premium between the BDC and I&E rates narrowed to 0.1 per cent in 2018, compared with 7.9 per cent in 2017.

The Emefiele Solution

Global tensions as well as the economic recession in 2016 provided the country with some key lessons on some of the steps needed to be taken to improve the wealth base of the nation. The understanding of the nature of Nigeria's domestic imbalances indicates that two key factors accentuated the economy's vulnerability to global shocks. The first is the diminished total factor productivity in Nigeria due to a low and inadequate infrastructural base. The second is overdependence on imports for both capital goods and domestic consumption.

With regard to overdependence on imports, the economic recession triggered mainly by the drop in crude oil prices, only strengthened the case for the need to move from a nation wholly dependent on consumption, to a nation that produces a large proportion of what it needs, particularly in areas where the resources or inputs needed for production are widely available across the country. Firstly, the Governor and his management team tightened money supply in order to contain inflation while improving yields in local bonds, which attracted the attention of foreign investors.

Secondly, they analyzed the country's import bill and encouraged manufacturers to consider local options in sourcing their raw materials, by restricting access to foreign exchange on 41 items. This thought process must have informed the Governor and his management team to impose the restriction on access to forex for 41 items that can be produced in Nigeria. Thirdly, the Investors and Exporters FX (I&E) Window was introduced, which allowed investors and exporters to purchase and sell foreign exchange at the prevailing market rate. And fourth, the Bank in its sustained efforts to ensure that all export transactions are carried out through formal channels including bills of lading, worked hard to introduce E-form "NXP" to replace the hard copy form "NXP" in order to reduce the length of time required to process export documents to a day; though this innovative development took effect on October 31, 2019. The initiative underscores the bank's efforts at motivating both the public and private export with a view to enhancing non-oil revenue for the country.

There was considerable discourse particularly on whether the restriction on access to foreign exchange for 41 items spurred local production, with some nay-sayers stating that it did constrained productivity and growth in the economy. But Governor Emefiele stated that based on the internal research conducted at the Central Bank of Nigeria, there was strong support that the recovery of our economy from the recession may have been much weaker or even negative, without the implementation of the restriction on 41 items.

"Again, that our research supports the conclusion that the combination of the restriction on 41 items along with other measures imposed by the fiscal and monetary authorities helped to promote the recovery. Any attempt to reverse the course of this actions, the Governor said, may have had untold consequences on the growth trajectory of our economy particularly in the push to diversify and restructure the economy". However, recommendations made to the CBN suggested that the list of 41 items be expanded to include other additional items that can be locally produced.

Second, many entrepreneurs took advantage of this policy to venture into domestic production of

the restricted items with remarkable successes and great positive impact on employment. The dramatic decline in import bill and the increase in domestic production of these items attested to the efficacy of this policy. Noticeable declines were steadily recorded in the Bank's monthly food import bill from US\$665.4 million in January 2015 to US\$160.4 million as at October 2018; a cumulative fall of 75.9 percent and an implied savings of over US\$21 billion on food imports alone over that period. Most evident were the 97.3 percent cumulative reduction in monthly rice import bills, 99.6 percent in fish, 81.3 percent in milk, 63.7 percent in sugar, and 60.5 percent in wheat.

Third, the Investors and Exporters FX (I&E) window was introduced, which allowed investors and exporters to purchase and sell foreign exchange at the prevailing market rate. The Governor thus noted that, the impact of these three measures led to an increase in foreign exchange inflows into the country with transactions in the I&E FX window reaching \$24 billion (\$6 billion net inflows) in 2017 and Nigeria's foreign exchange reserves rose to over \$48 billion at the end of May 2018 from \$23 billion in October 2016.

Some of the challenges faced by the Bank since 2015 and measures that were taken to address them include:

- i Rising global interest rate due to sustained tightening stance in advanced economies which consequently and unfortunately heightened fragilities, imbalances and vulnerabilities in emerging markets. The Fed fund rate was raised steadily to 2.25 percent in September 2018 with a promise for one more hike before the end of 2018 and three more in 2019. Similarly, the Bank of England raised its policy rate in August 2018 for the first time since 2008. Some emerging markets economies, including India, Indonesia, Mexico and Turkey did also raised interest rates in response to that shock;
- ii. The consequent huge capital flow reversals in emerging markets that led to immense pressures on exchange rates, FX reserves, and sharp losses in the capital markets. Argentina, Brazil, South Africa, Turkey and Russia depreciated their currencies significantly due to the shock;

- iii. Uneven fluctuations in the international prices of commodities including crude oil, gold, cocoa, etc. After hitting \$86 per barrel in October 2018, oil prices have dropped by over 30 percent as at November 25, 2018;
- iv. Profound geopolitical and trade tensions (including between US and China, US and Iran, Russia and Western economies etc.) which are impacting the dynamics of global trade and consequently the flow of capital;
- v. The rising incidence of protectionism, nationalism, and anti-globalization especially in the western hemisphere; and
- vi. Uneven growth of the global economy accompanied by a tepid short-term outlook.

We need to mention here, the 60 percent decline in crude oil prices between 2015 and 2016 helped shape the trajectory of the economy, ultimately triggering the economic recession in Q1 of 2016.

Peer Review of Emerging Market Economies

The CBN under Emefiele's leadership deemed it essential to conduct a comparative assessment of the country's peers, and strikingly, it was discovered that Nigeria did not fare badly vis-à-vis other emerging market economies like Brazil, South Africa, Turkey, and Argentina, that had similar economic experiences. Amidst the growing challenges, Nigeria managed to keep real GDP growth positive and has avoided a double-dip recession in contrast to some other emerging markets economies. In comparison, and following its 2016 contractions, the South African economy recorded a double-dip recession with renewed contractions of 2.6 and 0.7 percent in the first and second quarters of 2018, respectively.

In Argentina, though the economy was in recession throughout 2016, moderate upticks which peaked at 1.9 percent quarter two of 2017 ended that recession. However, the Argentinian economy shrank by 4.0 per cent in quarter two of 2018, bringing the country to the brink of another recession. The Brazilian economy had been in recession since 2015 and only emerged from it in first quarter of 2017 with a growth rate of 1.0 percent. Since then the growth has slowed progressively until the last quarter of 2017 when



Affirming his oath of office

growth remained flat. However, the economy is gradually rebounding and has recorded 0.1 and 0.2 percentage growth rates in the first and second quarters of 2018.

Given rising yields in advanced markets, capital outflows from emerging markets have increased tremendously. This has led to substantial exchange market pressures in many emerging markets with FX reserves falling to about 25.2 percent in Argentina, 9.6 percent in Turkey, and 2.1 percent in South Africa since the beginning of 2018. Also, significant currency depreciation was recorded in Argentina (by 10.1 percent), Turkey (43 percent), Brazil (19 percent), Russia (19 percent) India (16 percent); even as the Naira remained stable. (-.006%).

As a matter of fact, a Bloomberg data on financial market performances showed that Nigeria bond market remains one of the most attractive investment destinations. In the Bloomberg's Emerging-Market Local-Currency Government Bonds index, which covers major emerging markets as Nigeria, South Africa, Argentina, China, and Russia, for Q2 of 2018, shows that Nigerian local bonds topped the chart with an -125% -100% -75% -50% -25% 0% Argentina, Turkey, Brazil, India, Indonesia and Russia. Nigeria's currency against the US Dollar (2018) average total return of 3.2% in dollar returns (the index covers Nigerian Government Bonds with maturities from 2019 to 2037). The total return is a combination of the price changes in the Bonds in Q2 of 2018, the interest returns and the changes in the currency.

PHOTO GALLERY



A smiling Governor Emeziele



That's the way to go



Addressing the press



Committee of Governors



Reading out the MPC communique



Appreciating members of staff

PHOTO GALLERY



On a tour of Dangote Refinery



Question time with the press



A relaxed Governor Emeifele



Centre of Excellence, Ahmadu Bello University, Zaria



Centre of Excellence, University of Nigeria, Nsuka

PHOTO GALLERY



Taking a tour of Farmland in Cross River State



Touring a Farmland in Birnin Kebbi



Cotton Ginny in Zamfara State



Cotton Ginny in Wawa, Niger State

PHOTO GALLERY



Inspection of Dangote Tomato company in Kano



Preparation of Tomato Seedlings



Home grown Rice threshing in Niger



Exchanging pleasantries with the farming community in Niger State



Inspecting the Ogun Fish project under the anchor borrowers programme

PHOTO GALLERY



Delivering a public lecture



Presenting long service awards to deserving staff



Students on an excursion to the Currency Museum, CBN Head Office



In a discussion with the CIBN Registrar, Oluseye Awojebi



Receiving the Honorary doctorate degree at UN



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Central Bank of Nigeria

Banking Supervision and Financial Services



In a warm handshake with President Muhammadu Buhari

In view of the fact that the primary objective of banking supervision is to promote the safety and soundness of banks and the banking system, it was evident that the capacity and quality of supervision, needed to reflect the loan concentration of the banking industry.

Emefiele was determined upon his assumption of office as the Governor of the Central Bank of Nigeria in 2014 to build sector specific expertise in banking supervision. The Management of the Bank under his leadership paid added attention to the capacity building of the supervisors with the aim of improving supervisory diligence, promote high ethical standards and to ensure utmost professionalism while carrying out duties both on and offsite supervisor.

In light of the sensitivity of the information that the

banks deal with on a daily basis, it is no gainsaying that having adequately trained and specialized internal supervisors would reduce the banks reliance on external consultants thus strengthening confidentiality. Building internal expertise capable of generating robust data would serve as an added asset to the CBN in providing top management with ready, tangible information for decision making as well as public engagement. It is against this backdrop that the bank proceeded to train its supervisors in 45 different areas of expertise to ensure a robust supervisory force.

With more conscientious supervision to ensure compliance with the Basel II/III standards, the CBN ensured that the Capital Adequacy Requirements reported by Deposit Money Banks, captured all relevant risks as well as assess the bank's risk mitigation strategies and guarantee sufficient

capital base to cover present and future requirements.

By January 2018, the CBN in collaboration with the Nigeria Deposit Insurance Corporation (NDIC) set up a project team to pilot the implementation of IFRS 9. Amongst other benefits, the impairment phase that the IFRS 9 offers, introduced expected loss impairment model into the financial reporting standard such that expected credit losses are quickly recognized and subsequently mitigated.

Similarly, the Credit Assessment Analysis System was also deployed by the Bank to further aid in the evaluation of bank's credit and all examinations involving risk assets appraisal. While strengthening supervision to enhance a more efficient banking system and credit facilitation, the CBN also restricted access to its Open Market Operations (OMO) auctions. This was to militate against bank customers who accessed loans from Deposit Money Banks (DMBs) to invest in treasury bills, capital market securities and other money market instruments rather than invest in the real economy. The Bank through its spokesman, the Director, Corporate Communications Department, Mr. Isaac Okoroafor, made it known that DMBs who facilitated loans to such individuals would be penalized and the customer blacklisted.

In order to leave no stone unturned; the Central Bank of Nigeria released Exposure Draft Guidelines for deposit money banks and Other Financial Institutions (OFIs) on the initiation, evaluation and pricing of shared services and other matters. One major objective of the guideline was to set up supervisory expectations in respect of shared services arrangements between a parent company and its subsidiary. It was important to ensure that fees received or paid are a reflection of the services rendered taking into account, the assets used and the risks assumed. Furthermore, there was need to ensure that financial institutions complied with the extant transfer pricing regulation in Nigeria, and also, reduce operational cost of benefitting institutions.

The guidelines were necessary to cover a regulatory gap which had resulted in uneven management of shared services in the banking industry and generated concerns in relation to governance, financial and tax issues.

Indeed the scope of Banking Supervision expanded as Microfinance banks were further empowered to drive financial inclusion by registering a targeted number of new accounts each month. Furthermore, they were also included in the disbursement of lower denominated banknotes to address its scarcity in circulation which was inadvertently contributing to inflation as marketers set prices to avoid having to issue change in lower denominations because of its paucity. This new arrangement called for periodic monitoring of these disbursements by the CBN to ensure that the banknotes reached the intended end users and were not cornered and sold by illegal currency dealers.

Indeed the Emefiele-led Central Bank set out to maximize the benefits of microfinance banking by creating a bigger and more robust platform for MFBs in Nigeria. These were part of efforts to improve business processes and build capacity for the institutions. This was further highlighted by the then acting Director of Other Financial Institutions Supervision Department (OFISD), Mrs. Kehinde Omole during the 23rd meeting of the Committee of Microfinance Banks in Nigeria (COMBIN) in November, 2019. She highlighted the CBN's plans to engage the MFBs in advanced training on risk management. Reiterating that the new capital requirement limits set for MFBs was to ensure the emergence of strong and safe institutions capable of withstanding and absorbing shocks in the economy.

Mrs. Omole further expressed the CBN's willingness to partner with MFBs to sensitize the public on the essence of the Bank Verification Number (BVN) registration and urged financial institutions to build a comprehensive data base of all their clients to reduce issues posed by non-identification of customers or incomplete customer details, bearing in mind that the goal is to improve access of the underserved to financial services.

Another crucial point for the CBN Governor was to revise and develop adequate macro-prudential trigger thresholds in view of the increased size of the economy with the rebased GDP in 2013 from USD 270 billion to USD 510 billion. These trigger thresholds are essential as an early warning mechanism to enable a quick analysis and



Director, Corporate Communications Department, Isaac Okorafor briefing the Governor

interpretation of the risk indicators. This is pertinent to allow the supervisory authorities to properly anticipate, identify, evaluate and hedge against risk exposures, among others.

Considering that financial stability is a prerequisite for monetary stability and broader economic condition, a robust macro prudential policy and framework was therefore needed to ensure the stability of the financial system and reduce the overreliance on crude oil proceeds.

Adequate macro-prudential policies would serve to prevent financial distress from spreading in the short term while preventing the costs of systemic crises in the economy over time. This gave rise to revised prudential guidelines for commercial, merchant and non-interest banks which provided that banks put in place a credit concentration framework that allows for early identification and control of their credit risk. As a direct fall out of these measures, non-performing loans saw a downward spiral.

One of the prudential guidelines that informed the decline in non-performing loans was the enforcement of NPL limit, which stated that “banks

shall ensure that the level of NPLs in relation to gross loans does not exceed 5 per cent”. Other guidelines included loan loss provisioning, credit portfolio disclosure requirement and the demand to disclose insider-related credit in financial statements.

The decision of Bankers' Committee to offset non-performing loans with the defaulters' deposits in other banks proved a key deterrent that helped to tame the rise in non-performing loans. Beyond the NPL, the National Bureau of Statistics NBS reported other variables such as the Capital Adequacy Ratio (CAR) which stood at 15.26 percent, slightly above the stipulated prudential requirement of 15 per cent.

Financial experts affirmed that this compares favourably with countries such as South Africa, Malaysia and Turkey with CARs of 16.4, 17.4 and 18.1 per cent respectively. In view of these positive indicators, it can be safely concluded that the banking system is sound, safe and robust under Emeifele's watch.

To further promote a more inclusive banking system, the CBN adopted the Islamic Financial

Services Board (IFSB) Standards 4, 15 and 16 on disclosure requirements, capital adequacy computation and supervisory review process for non-interest banking in Nigeria. The Bank also issued circulars and guidelines for the regulation and supervision of Non-Interest Financial Institutions (NIFIs) in line with international best practices aimed at promoting sound financial system in the country. This has created an enabling environment for the Islamic banking model to thrive and grow in Nigeria from hitherto two participants in 2011 to seven in 2019. Furthermore, adherence to these guidelines promotes the prevention of harmful attainment of benefits as all Islamic finance must be ethical and fair.

The Bank made head way in the promotion of the use of alternative means of payments so much so that by Q3 of 2019, the volume of payments made via POS had risen to N856,864 billion. The CBN has continued to discourage large cash transactions to protect the citizenry and guard against its attendant risk exposure, by imposing processing fees to the tune of 2% for deposit and 3% for withdrawals on the amount above N500,000 for individuals. Similarly, corporate entities were charged 3% for deposits and 5% for withdrawals on cash transactions above N3,000,000.

With the reintroduction of the cash-less policy in 2019, the Emeziele led- Central Bank also issued new regulations for the operation of indirect participation in the Payments System. These regulations became necessary to set out the procedure for effective integration of indirect participants in the Nigerian payments system and standardize their operations.

Being indirect participants, there was also the need to establish a framework for the clearing and settlement of their payment instruments through the direct participating banks. These guidelines also ensured that participating institutions had a satisfactory risk-based rating in order to qualify as indirect participants in the financial system.

With a robust framework in place for the achievement of a cash-less economy, the Emeziele-led Central Bank considered the myriad of fees charged by deposit money banks and set out revised guidelines for bank charges as well as

charges by other financial and non-bank financial institution in December, 2019.

These guidelines were necessitated by the need to strengthen Consumer Protection Regulations in the face of the burgeoning financial industry which now featured many innovative financial products, channels and participants. The changing landscape demanded extra vigilance by regulatory authorities to ensure protection of consumer rights while encouraging market forces to increasingly drive pricing for financial products.

Some of the changes introduced in the revised Guide include a graduated fee scale for electronic transfers. This meant that transfers below N5,000 would attract a maximum charge of N10; transfers below N50,000 but above N5,000 would attract an electronic transfer fee of N25 only while transfers above N50,000 would attract an electronic transfer fee of N50 as against the flat rate of N50 for all transfers that existed before the Guidelines were revised.

Card maintenance fees on current accounts were removed and those for Savings accounts were restructured to N50 per quarter as against N50 per month. Furthermore, annual Card maintenance fee on FCY denominated cards were reduced to \$10 from \$20. Remote on ATM charges was reduced to N35 after third withdrawal within a month from N65.

A new section on Accountabilities/Responsibilities and Sanctions regime was introduced to address instances of excess, unapproved and/or arbitrary charges. Similarly, the Consumer Protection Regulations which were released by the CBN alongside the revised Guide to Charges provided clarity on roles and responsibilities of all participants in the industry, setting out minimum standards on fair treatment of consumers, disclosure and transparency, business conduct, complaint handling and redress in order to protect the rights of consumers.

In all, the CBN has continued in its effort to hold banks, other financial and non-bank financial institutions accountable and preserve trust in the entire financial system.

A Broad Spectrum of Financial Instruments to Boost Agriculture, Manufacturing, Health, Oil and Gas



Inspection of Rice farm in Niger State

Mr. Godwin Emefiele in his maiden address as the CBN Governor on June 5, 2014, declared that his vision is to ensure that the Central Bank of Nigeria was more people focused, as its policies and programs would be geared towards supporting job creation. He also pledged to improve access to credit for MSMEs, deepening intervention programme in the agricultural sector, building a robust payments system infrastructure that will help drive financial inclusion. And in addition, focus on key macroeconomic concerns such as exchange rate stability, financial system stability and maintaining a strong external reserve.

The Central Bank of Nigeria in line with the aforementioned developmental vision particularly to create jobs on a mass scale, improve local food production and conserve scarce foreign reserves

under the leadership of Mr. Godwin Emefiele, established the Anchor Borrowers' Programme (ABP). This programme was launched by President Mohammed Buhari on November 17 2015. The program is aimed at stimulating productive activities and development in the agricultural sector by creating a linkage between anchor companies involved in the processing and small holder farmers of the required agricultural commodities. The program set to provide farm input both in cash and kind to small-holder farmers in order to improve farm yields, boost production, stabilize input supply to agro-processors and address the country's balance of payment imbalance on food import and export.

Anchor Borrowers' Programme kicked off with loans to small-holder farmers engaged in the production of identified agricultural commodities

in which the country has comparative advantage. The commodities include Rice, Maize, Wheat, Cotton, Cassava, Potatoes, Yam, Ginger, Soyabean, Sesame seed, Tomato and Livestock, and lately milk and cassava were added.

The Central Bank of Nigeria expanded the scope of Anchor Borrowers' Programme in year 2017, to include Agricultural Commodity Associations of identified produce. This is to further ramp up domestic production of targeted commodities by leveraging existing organized structures of the agricultural association to enable appropriate registration of their members for the programme.

huge achievement. In the 2019 season, for example, the Paddy Aggregation Scheme was enhanced to accommodate more millers, while many medium and large scale investors were financed under the Commercial Agricultural Credit Scheme. Another achievement was the springing up of private rice mills that paved way for more investment.

Prior to the introduction of Anchor Borrowers' Programme, the Central Bank of Nigeria had announced 41 items not eligible to access forex from the Nigerian Forex Market. Allocation of foreign exchange to the importation of items such



Official launch of ABP in Birnin Kebbi

As at October 2018, the Anchor Borrowers' Programme had recorded a huge success and more than 862,069 small-holder farmers had benefited cultivating about 862,239 hectares of land across 16 different commodities, which have generated about 2.5 million direct jobs and about 1 million indirect jobs across the country.

This ABP has helped to boost local production of food significantly, resulting to noticeable reduction in the gap between the levels of local rice production and domestic consumption in the space of three years since the inception of the programme. Nigeria emerged from being a net importer of rice to becoming a major producer of rice. Local rice production has however recorded

as rice, wheat, milk, tomato, fish, cotton, and fertilizer among others had contributed greatly to the depletion of the nation's foreign reserves especially due to low oil revenue resulting from failing oil price. This has therefore helped conserve the nation's foreign reserves by curbing the appetite for imported goods that can be produced locally.

Similar to the development in the rice sector, Mr Emefiele at the beginning of 2019 pledged that the CBN would provide financial support to textile manufacturers at single digits rate, to refit, retool, and upgrade the textile factories in order to produce high quality textile materials for local and export market. The Central Bank of Nigeria, in

collaboration with some state governments, embarked on fixing the cotton value chain, which began with planting, of improved cotton seeds distributed to 151,220 members of the National Cotton Association of Cotton Farmers, cultivating over 100,000 hectares in 27 States of the Federation. This led to a yield of 302,44 metric tonnes expected from the process. In the first quarter of 2019, Governor Emefiele met with cotton, textile and garment (CTG) industry stakeholders to intensify efforts in resuscitation of the industry.

Following the emerging game changing success in the rice and cotton sector, the Central Bank of Nigeria under the leadership of Mr. Emefiele financed 15,569 cassava farmers with the sum of N2 717,709,071 to cultivate over 15,000 hectares of land across 19 States under the Nigeria Cassava Growers Association. As a result, eight processors were financed with the sum of N11 billion to produce various identified derivatives such as



With Kebbi State Governor at the launch of ABP



On a farm inspection

ethanol, starch and sorbitol. To restore the Oil Palm sector to its past glory as a major contributor to forex earnings, the Central Bank of Nigeria gave oil palm producers a lifeline. This was to ensure improved massive production of palm oil to meet local market demand and increase export to conserve foreign exchange. Nigeria was the world's leading producer and exporter of oil palm in the 1950's and 1960's with about 40 percent share of global market. But today, the country barely produces up to 3 percent of the global supply and this has led to a huge loss of \$10 billion annual foreign exchange earnings.

It was imperative for the Emefiele led management to develop an active work plan. Thus, in conjunction with the Bankers' Committee, interest rates were subsidized for oil palm producing companies. Therefore, the sum of N30 billion was disbursed to revive the sector and it was projected that 7 million tonnes of palm oil would be produced locally by 2020 while financing large-scale palm oil producing companies will continue.

In the first quarter of 2019, Governor Emefiele introduced the Commodity Champion model to stimulate production of tomato and strengthen the end-to-end linkages in the value chain from input supplies to the final customers. It would be recalled that the Tomato Policy Framework was launched in 2017 after the CBN had placed Tomato on the list of 41 items not valid for forex, this has however reduced the \$170million spent annually on importing 150,000 metric tons of tomato into Nigeria. About 140,848 farmers from various tomato farmers association were mobilized and validated from 25 States in the Federation.

The Anchor Borrowers' Programme is laudably considered the most successful of all interventions in recent history having achieved a tremendous success in terms of outreach, impact and coverage. Other intervention programmes of the Central Bank of Nigeria aimed to sustain economic growth in line with agricultural development have also met their objectives. The Micro, Small and Medium Enterprises Development Fund (MSMEDF) was flagged off with the disbursement of funds in 2014, and ever since over N78.76 billion has been disbursed to State Governments and all participating Financial Institutions. To ensure inclusion, 60 percent for MSMEDF is reserved for women.



Flagging off dry season farming



Farmland inspection

Commercial Agricultural Credit Scheme (CACs) with 60 percent of its fund dedicated to six focal commodities; rice, wheat, cotton, sugar, dairy products and fish. So far, about N 380,085 billion has been disbursed under to 740 projects and over 17,792 jobs have been created by product financed under the scheme. With more indigenous promoters participating in the scheme and having met the set objectives, CACs has been extended from its expiration in 2016 to 2025.

Governor Emefiele, in his first term, redesigned the Bank's monetary policy instruments to suit the needs of the country. He modified the Agricultural Credit Guarantee Scheme (ACGS), the N220bn Small and Medium Enterprise Credit Guarantee Scheme (SMECGS).

Agribusiness/Small and Medium Enterprise Investment Scheme (AGSMEIS) is an intervention championed by the Central Bank of Nigeria in collaboration with the Bankers' Committee to improve access to affordable financing of MSMEs, particularly those operating in the informal sector of the economy. This is in a bid to diversify the economy. In 2018, over 300 youths who are the first beneficiaries were trained in various vocational entrepreneurship, vocational and management skills across the country constitute the first set of beneficiaries.

The Emefiele led-CBN embarked on Centre of Excellence projects aimed at providing tertiary institutions with world class educational facilities for studies in economics and business-related courses. One center each is projected for each geopolitical zones of the Federation. Three Centres of Excellence have been completed in University of Ibadan in Oyo, University of Nigeria, Nsukka, Enugu and Ahmadu Bello University, Zaria, Kaduna States, respectively. Other Centres of Excellence, which are on-going and in different stages of completion are cited in the University of Lagos, Akoko; Bayero University, Kano; University of Port Harcourt, University of Jos and University of Maiduguri.

The six of the Central Bank of Nigeria's (CBN) Entrepreneurship Development Centres located across the country were created to address the challenge of rising youth unemployment which is a threat to political stability, social cohesion and economic growth of the nation. The Centres aim to develop youths in entrepreneurship courses by training in skills acquisition, how to successfully start, manage, diversify and expand business enterprise, and also facilitate easy access to start-up capital to trainees.

The CBN in a bid to catalyze financing of the real sector of the Nigerian economy had invested the sum of N500billion Debenture Stock issued by the Bank of Industry (BOI).



Inspection of Tomato farm in Kano



Inspecting rice paddy

The sum of N200billion was set aside for the refinancing/restructuring of SME/ Manufacturing portfolios while the sum of N300billion was applied to power and airline projects.

The Bank under the leadership of Godwin Emefiele had put a N75 billion seed capital to support Dangote Crude Oil Refinery, one of the largest refinery outfits globally. In announcing the funding support, Mr. Emefiele said, the refinery was an outcome of government's insistence on restructuring the base of the economy.

He said when \$9billion, 650,000 barrel per day crude refinery comes on stream, it would make Nigeria not only self-sufficient in the production of refined petroleum products but it would also make it become a net exporter of the products, earning nothing less than \$7.5 billion annually and saving the country billions of dollars.

It is also expected that by the time the Dangote fertilizer project becomes operational, Nigeria will be self-sufficient in the production of fertilizer. This explained why Central Bank of Nigeria banned access to foreign exchange for fertilizer import.

Diversification of the Economy: The Interventions



On a tomato farm

Mr Emefiele in supporting the efforts to create jobs and diversify the economy away from crude oil has established numerous intervention programmes, such as Anchor Borrowers' programmes (ABP), Commercial Agricultural Credit Scheme (CACs), Creative Industry Financing Initiative (CIFI) MSMEDF, CBN AGMEIS, Real Sector Support Financing (RSSF) and so many others.

In a bid to create jobs and boost economic development, the CBN in collaboration with Bankers Committee launched the Creative Industry Financing Initiative (CIFI) in May 2019. This initiative is envisioned to complement other development financed inclusion in the country to boast creation and harness the entrepreneurial potential of the youth in target sectors. CIFI was developed to provide access to long-term loan with low interest financing for entrepreneurs in creative industry including fashion, music, movies and information communication and technology (ICT). In accessing the loan, the CBN categorized the group into three; Software can

access to N3million, repayable over a period three years, while movie production business is eligible to access up to N30 million. Those in the movie production and distribution players can get up to N500 million. Movie production and distribution can repay over a ten-year period. For fashion, Information Communication Technology (ICT) and music, and repayment tenure is a maximum of ten years. The maximum interest rate applicable to all the categories of loans is 9% per annum (all charges inclusive).

This unprecedented effort of the CBN Governor has made great impact in creating job, accelerating growth of the economy and reducing poverty across the country.

In addition to creating opportunities for young talents to thrive, Emefiele and Chief executives of Deposit Money Banks in July 2019 secured Federal Government's approval to refurbish the Nigerian Creative Centre at the National Theatre, Lagos and three other major cities in Nigeria (Kano, Port-Harcourt and Enugu).



With stakeholders on a farm

This was in line with his vision to create jobs and unleash the creative talents of youths. This development aims to enhance skill acquisition for over two hundred thousand Nigerians and reduce the country's dependence on crude oil.

Emefiele believes that harnessing the entrepreneurial talents of youth has the potential to earn \$28 billion annually, and also growing the industries will support other sectors like logistic firms, financial companies, construction firms as well as legal firms.

On August 15, 2013, the CBN in furtherance of its mandate to promote sound financial system in Nigeria, launched the Micro, Small and Medium Enterprises Development Fund (MSMEDF) with a takeoff grant of N220 billion to enhance access to fund, increase employment and create wealth, increase productivity and ultimately engender inclusive growth.

The Bank intends to provide wholesale financing window for Participating Financial Institutions

(PFIs) to be able to meet the needs of the MSMEs. The fund will also provide credit at lower cost longer to PFIs compared to what they currently obtain from commercial banks. According to the Governor, the Micro-loans are to be administered through the private or state-owned micro-finance institutions, finance houses and cooperative finance agencies, while deposit money banks will be responsible for disbursing the SMEs loans.

Mr. Emefiele said that the CBN will remain committed to empowering sectors that can create jobs on a large scale. He also assured that the Bank would maintain a keen interest in supporting creation of an enabling environment to trigger private sector investments.

Furthermore, the Nigeria Incentive-Based Risk Sharing System for Agriculture Lending (NIRSAL) has facilitated over N102 billion in loans from commercial banks across agricultural value chain in Nigeria, impacting about 2 million lives and creating over 40,000 jobs.

Innovative Finance and Financial Inclusiveness under Emefiele



With President Muhammadu Buhari during the flag-off of dry season farming

On assumption of duty as the Governor of the Central Bank of Nigeria (CBN) in June 2014, Mr. Godwin Emefiele listed his strategic plan of work to ensure sustainable development and economic growth of the country. Particularly, he stated that the core of his vision is to effectively manage potential threats to financial stability, and to create a strong governance regime that is conducive for financial intermediation, innovative finance and financial inclusiveness.

He further noted that though the MSMEs sector was vulnerable due to a myriad of reasons, it still remained catalytic to Nigeria's economic growth, noting that Nigeria's quest for inclusive economic growth and development would be futile if the country failed to adequately ease access to finance for MSMEs. As such, he promised that his administration would ensure that it will through collaborations with banks, improve the credit culture in the Nigerian banking system, enhance financial inclusion and infrastructure most

especially at the lower strata of the society, and work towards reducing the effect of information asymmetry in the credit market.

This he stated, will be achieved by the following: enhancing the operations of Credit Reference Bureaus; the establishment of a Secured Transaction and National Collateral Registry; implementation of stringent loan provisions and penalties for banks that lend to blacklisted persons and companies. Efforts would be made for the intensification of collaborations with relevant agencies, and in particular, the Justice Ministry to strengthen the ability of the Bank to enforce contracts and recover matured debts while renewing vigorous advocacy for the creation of commercial courts for quick adjudications on loan and related offences.

Governor Emefiele also established a National Credit Scoring System in order to enhance access to credit and mitigate the risks associated with

lending and borrowing as it will improve access to information on borrowers and assist in making good credit decisions.

The National Collateral Registry: True to Governor Emeziele's words, the National Collateral Registry (NCR) was established in May 2016 by the Bank in collaboration with the International Finance Corporation (IFC). It began operations in 2017 following the Establishment Act – the STMA Act of 2017 by the National Assembly with a mandate to

can leverage encumber to obtain financing; and given the opportunities in agri-business among others. The Collateral Registry regime allows Nigerian farmers and entrepreneurs to unlock significant sources of capital with assets such as automobiles, phones, laptops, jewelry, selected household items, boats, title documents as well as farm produce and intellectual properties that would otherwise not be looked at by lenders as potential collateral. Global Standing Instruction (GSI): Fast forward to 2020 as part of the earlier



With Governors of oil producing states

close the credit gap in the MSME sector and improve access to finance. The NCR was created with the objective to simplify the usage and availability of the collateral for purposes of securing credit. It is a web-based system that allows lenders to determine any prior security interests as well as register their security interests over movable assets provided as collateral.

The Registry which has over 600 institutions registered on its portal to date facilitates the use of movable personal assets as collateral that remain in possession or control of the borrowers and thereby improves access to secured finance because: movable assets/personal property often account for most of the capital stock of private firms that comprise an especially large share of MSMEs. Movable assets are the main type of collateral that MSMEs, especially those in developing countries,

promise by Governor Emeziele to facilitate an improved credit repayment culture, reduce non-performing loans in the Nigerian banking system and also provide watch-list of consistent loan defaulters, the Global Standing Instruction (GSI) was approved in February 18, 2020 and billed to take effect from August 1, 2020.

The GSI is a mandate authorizing recovery of due loan obligations from and all deposit accounts made by a defaulting borrower with other banks other than the creditor bank. In the guidelines issued by the CBN, the borrower is obligated to ensure that all his/her accounts are linked with a Bank Verification Number (BVN) and also execute a GSI mandate with clear terms and conditions before the borrower can access a loan from any financial institution in Nigeria.



Inspecting a tomato processing plant

Revision of Guide to Bank Charges: The Central Bank of Nigeria (CBN) also released a revised guide to charges by banks, other financial and non-bank financial institutions to replace the one issued in May 2017. The revised guide to charges is one of the moves to foster and build an inclusive banking system that adequately caters for the needs of banking publics while preserving the financial sustainability of bank and other financial and non-bank financial institutions.

The revised guide was necessitated by continued evolution, innovation and introduction of new products and channels in the financial industry over the years. The reduction of bank charges for micropayments has huge potential for financial inclusion as it will incentivize stakeholders to continuously embrace electronic banking channels and reduce the cost of banking services to customers.

Pre-Authorization of Cards: As part of its commitment to facilitate the development of payments system in Nigeria, the CBN has issued directives to enable the pre-authorization and sales-completion of card transactions. The initiative is expected to deepen the adoption of various electronic payment options available to users as well as boost merchant confidence with its in-built mechanism to ascertain the user's capacity to complete a transaction.

Merchant acquirers are required to obtain Acquired Device Validation certification or the applicable testing notification from CBN licensed card schemes. Consequently, all card issuers are required to build the capacity to enable the processes and POS terminals required to possess the capability for pre-authorization and sales-completion of transactions. Card schemes have

also been required to provide online simulators for acquirers and issuers to test their systems, when necessary. **National Credit Scoring Scheme:** With the National Credit Scoring System which is designed to build resilient infrastructure that caters to both the lower and upper ends of the financial market, businesses and individuals have access to a system that allocates scores to potential borrowers and provides a numerical representation that is based on a credit report analysis of a business's or person's credit history and rates their creditworthiness, thereby putting them in control of improving their chances of accessing finance.

Lenders on the other hand are provided access to information that will enable them to profile potential borrowers thus enabling them to make accurate, reliable and informed lending decisions on the risk level of potential borrowers in terms of capacity and willingness to repay loans.

The importance of the National Credit Scoring System is timely and important because most people in the lower strata of the financial market lack formal identification that enables them to access financial services and as such have little or zero access to credit facilities from financial institutions. This is because there is high risk of default due to low or lack of data on the potential borrower that will support lending decisions and enable them to make accurate predictions about loan performance and foster financial inclusion.

Cash-less Policy Drive: The CBN's cash-less policy was announced in September 2019 which its full implementation was set to commence on April 1, 2020. The future is now bright for MSMEs in terms of access to credit to grow their businesses and ultimately the economy because the creation of the National Collateral Registry in addition to the National Credit Scoring System was designed to resolve the challenges of access to capital as citizens would be able to access loans without collaterals through registered and accredited local cooperatives and financial institutions.

This is because Governor Emefiele understands that establishing a functioning credit ecosystem will foster and further enhance his drive for a better financial system as well as economic growth and development in Nigeria.

Reappointment and Agenda for Consolidation



Sharing a joke with President Muhammadu Buhari

The Governor, Central Bank of Nigeria, Mr. Godwin Emefiele's appointment was renewed by the President and confirmed by the National Assembly on Thursday, May 16, 2020, having performed credibly in his first tenure which resulted in the exit of the nation from economic recession among other feats.

Confirming the reappointment, the Senate President, Senator Ahmed Lawan congratulated Mr. Emefiele and urged him to use his second term to improve Nigeria's economy. Other members of the Senate, while congratulating him noted that he had a good understanding of the diverse economy of the country and had displayed profound knowledge of the continuous existence of Nigeria's economic stability.

Among expectation of the legislators from his reappointment are that: the banking system should remain stable as he was likely to continue with his policies; CBN developmental programs should be enhanced to favour farmers and targeted SMEs, and should embrace exchange rate stability as a strategy in view of Oil price volatility until the price remains stable. The CBN Governor's reappointment was also expected to put on hold the expectation of agitators of float the Naira and the policy on the ban of forex allocation to 43 banned items as he was also expected to continue with the policy or even expand it.

Agenda For Consolidation

On assumption of his second term in office as the CBN Governor, Mr. Emefiele addressed a world press conference on June 24, 2019, at the CBN Head Office, where he reeled out a five-year policy thrust as agenda for consolidation of the Bank's effort in delivering price and monetary stability, exchange rate stability, financial system stability and development finance initiatives.

To ensure sustainability, the Governor said the Bank would pursue a gradual reduction in key interest rates, and include the unemployment rate in monetary policy decisions; maintain exchange rate stability and aggressively shore up foreign exchange reserves; and at the same time strengthen risk-based supervision mechanism of Nigerian banks to ensure overall health and banking system stability.

He added that, in his second tenure, the Bank would build sector-specific expertise in banking supervision to reflect loan concentration of the banking industry; in view of inadequate trigger thresholds from a macroprudential perspective, consider and announce measures to effectively address this anomaly; abolish fees associated with limits on deposits and reconsider ongoing practice of in which all fees associated with limits on withdrawals accrue to the banks alone; and introduce a broad spectrum of financial instruments to boost specific enterprise areas in agriculture, manufacturing, health and oil and gas.

Other measures to be employed, according to him, include establishing secured transaction and National Collateral Registry as well as establish a National Credit Scoring System that will improve access to information on borrowers and assist lenders to make good credit decisions; build resilient financial infrastructure that serves the needs of the lower end of the market, especially those without collateral; and renew vigorous advocacy for the creation of commercial courts for quick adjudications on loan and related offences.



Way Forward



Quest for Economic Self-Reliance: The Emefiele approach



MOU signing ceremony of the Armed Forces, Paramilitary and Local Textile Producers

Watching the Central Bank of Nigeria (CBN) Governor, Mr. Godwin Emefiele, responding to questions at the May 28, 2020, Monetary Policy Committee (MPC) meeting, one cannot but see through the burden of a man with the patriotic zeal for a self-reliant economic development.

According to Mr. Emefiele, “the time is now” for the country to vigorously pursue an economic development anchored on self-reliance. Faced with the double tragedy of being an import-dependent and monocultural economy that relies on more than 90 per cent of foreign exchange earnings from crude oil revenue, diversification of the Nigerian economic base becomes compelling and urgent too. This becomes all-the-more frightening, in view of the forecast negative GDP growth rate (of -3.84 per cent) for the year 2020 as a result of the COVID-19 pandemic, and the attendant spike in unemployment rate.

In the last four years, the CBN, under the leadership of Mr. Godwin Emefiele has laid a solid import-substitution agriculture intervention policy in ten commodities; rice, wheat, maize, cotton, palm oil, cassava, tomatoes, poultry, milk/dairy products and livestock. The mechanized production of these commodities to enhance economies of scale would achieve higher value addition to ensure greater export value.

In the stampede for solution during this ravaging COVID-19 lockdown, rice featured prominently as the most common palliative commodity distributed to the vulnerable segment of the population. It is left to be imagined, how helpless we would have been without the CBN rice-intervention revolution at the outbreak of the pandemic, especially when most rice exporting countries had banned the export of rice. How disastrous and embarrassing would it have been to attempt a necessary lockdown without sufficient food for the citizens?

There is a compelling conclusion that until the independent African countries have achieved economic self-reliance, the liberation of emerging African economies cannot be said to be complete. Six decades after colonialism ended in the continent, nothing has changed in the institutional arrangement and economic architecture, which characterized the relationship between the former colonial powers and their erstwhile colonies. It had remained essentially unequal.

The former colonial economies concentrated on the production of extractive minerals and unprocessed commodities for exports with negative terms of trade vis-à-vis manufactured exports from developed countries; a situation which Latin American economists like Raul Prebisch and Han Singer consider as likely to perpetuate poverty in the emerging economies.



Committee of Governors

The above view aligns with the decision of the CBN Governor, Godwin Emefiele, to locally grow and process commodities with comparative advantage such as cassava, palm oil, tomato, cotton, milk and dairy products etc, as an import substitution strategy to not only ensure food security, but to reduce unemployment and achieve a self-reliant economy.

If we read Governor Emefiele's thoughts well, he wants us to leverage this intervention in agriculture (Anchor Borrowers' Programme and other initiatives) to rekindle serious momentum in the manufacturing sub-sector. This, indeed, would engender sustainable backward and forward linkage effects between agriculture and the manufacturing sub-sectors. A low hanging fruit, perhaps, would be to start from agricultural processing, then progress into light manufacturing and eventually improve into more sophisticated industrialization. This approach is a radical departure from the usual concentration on extractive mineral exports.

In view of envisaged negative economic growth as a fallout of the COVID-19 pandemic, a more plausible counteracting strategy would be the adoption of Governor Emefiele's proposed, four-point economic recovery strategy entitled 'Turning The COVID-19 Tragedy into an Opportunity for a New Nigeria' on April 15, 2020. In the visionary paper, he pointed at four key areas such as light manufacturing, affordable housing, renewable energy, and cutting-edge research.

Put differently, what is required is massive production of agricultural goods, followed by the emergence of light manufacturing industries, in sequence, as part of an outward-looking strategy of industrialization. This has the added advantage of diversifying the foreign exchange earnings base, and hence, replacing the present monocultural economy that is highly vulnerable to external shocks.

Emefiele's quest for high quality infrastructure, as well as reliable power that can stimulate industrialization is incontestable. However, attention should be paid to the quality of human resource capacity. This underscores the call of the CBN Governor to "create a robust educational system that enables critical thinking and creativity, which would better prepare our citizens for the world of tomorrow and to develop a healthcare system that is trusted to keep all Nigerians healthy, irrespective of social class".

What the Emefiele approach represents is that strategic lessons derived from the present pandemic reveals that the world will never remain the same anymore. Nations have learnt not to depend on others for critical necessities of life. Thus, the earlier we achieve self-sufficiency in food, education and healthcare the better. There is no better time than now.

A March into the future with lessons of the past.

On June 4th 2019, Mr. Godwin Emefiele took an oath of office to serve as the Governor of the Central Bank of Nigeria for a second term. His re-appointment by President Muhammadu Buhari, and speedy ratification by the National Assembly came on the wings of the aggressive developmental programs which he single mindedly pursued and whose gains are evident even to the most cursory observer.

It can be recalled that when Mr. Emefiele assumed office for the first time in 2014, he set out to develop a people centered central bank which was apolitical and poised to deliver on its mandate to Nigerians. He further revealed, in what came to be known as his 10-point agenda, his intentions for the Bank in the following years.

With inroads made into the 10-point agenda, Emefiele sought to use the second term to consolidate on some of the gains already made in the first term as well as expand into new but necessary grounds. Hence on 24th June, 2019, the CBN Governor unveiled the 5-year Policy Thrust that would form the blueprint of the Bank's activities in his second term.

The policy directions were to preserve the financial and domestic macroeconomic stability of the nation; to further develop infrastructure of the Nigerian payments system such that it adequately caters to an increased volume of Nigerians as the financial inclusion drive intensifies; and to increase collaboration with Deposit Money Banks to improve access to credit for both small businesses and regular bank customers for mortgage and other consumer purposes.

He further revealed that the Bank would expand its developmental initiatives to include youth entrepreneurs in the creative industry and give focused support to the educational sector. Among the steps taken to build on the successes of the Governor's first tenure, was the unveiling of the Bankers' Charitable Endowment Fund; maintaining a tight Monetary Policy stance, particularly in view of rising inflation expectations; pushing for improved domestic production in agriculture and manufacturing; and support in diversifying the economy.



MPC press briefing

Knowing that at the heart of a robust macroeconomic and financial system is financial inclusion and access to financial services by the adult population, the Bank swung into immediate action in collaboration with microfinance banks to increase their monthly target of registration of the hitherto underserved. With the increased drive by microfinance banks, deposit money banks and the proliferation of agent banking, the country is inching closer to its target of 80% inclusion rate by end 2020.

True to his words, by July 1st, 2019, the CBN released modalities for the implementation of the Creative Industry Financing Initiative (CIFI) which was aimed at providing credit facilities to entrepreneurs in the fashion industry, music and movie production and distribution, and Information Technology. Under the scheme, credit facilities were also extended to students engaged in software development. One year later, 35 firms have been granted N7billion as implementation of the first phase of the CIFI program.

In what was perhaps the single most effective move in the drive for increased lending to the real sector, the CBN in July, 2019, required all Deposit Money Banks to maintain a lending to deposit ratio of 60% or be levied an additional Cash Reserve Requirement to the tune of 50% of the shortfall in LDR. This move saw Deposit Money Banks aggressively marketing for borrowers, not only making credit access to the real sector a reality, but providing credit at affordable rates.

Indeed credit conditions in the banking sector, had improved supported by the CBN's new policy measures. Furthermore, Mr. Emefiele said banks in the country were now able to recover delinquent loans from customers' accounts in other banks.

He added that the measures placed Nigerian banks in a better position towards supporting a stronger economic recovery. This, he noted, had increased gross credit by N1.16 trillion between May and October 2019.

Emefiele noted that the aggregate domestic credit (net) grew by 5.16% in June 2020 compared with 7.47% in May 2020. According to him, the Bankers' Committee commended the CBN Loan-to-Deposit Ratio (LDR) initiative to address the credit

in the Cotton, Textile and Garment (CTG) sector. This was aimed at reviving the CTG sector in compliance with the Executive Order 003 of President Muhammadu Buhari, on support for local content in procurement by MDAs.

After much sensitization across the country, the cashless policy was re-introduced in September 2019 in 6 States across geo-political zones and the FCT. The cashless policy was implemented nationwide by 1st April, 2020.



Addressing the press

conundrum, as the total gross credit increased by N3.33 trillion from N15.56 trillion at end-May 2019 to N18.90 trillion at end-June 2020.

He attributed the development to manufacturing, consumer credit, general commerce, information & communication and agriculture, which are productive sectors of the economy

Without losing momentum, Mr. Godwin Emefiele organized a session with the Military Service Chiefs and chief executives of Uniformed Services to explore the national benefits of using made in Nigeria fabrics and Nigerian textile factories to meet their massive uniform needs. He successfully facilitated the signing of a memorandum of understanding (MoU) between the chief executives of Uniformed Services and key players

The issue of border protection and backward integration became front burner topics in August 2019, when President Muhammadu Buhari protected the nation's land borders against smuggled imported goods. For the CBN Governor, the President's action was a validation of a message he had long preached to Nigerians: in order for the Nigerian economy to grow, Nigerians must produce what we use and use what we produced.

This further paved the way for milk to be included to the list of 42 items excluded from access to foreign exchange. The CBN expressed the willingness to provide credit facilities to Nigerians who were willing to venture into the local production of milk. Furthermore, Mr. Emefiele successfully procured the partnership of six dairy



Briefing the President

companies. They were granted sole rights to import milk and dairy products into the country and they in turn would build milk processing factories in the country. The six companies which keyed into Nigeria's backward integration agenda are: FrieslandCampina WAMCO Nigeria, Chi Limited, TG Arla Dairy Products Limited, Promasidor Nigeria Limited, Nestle Nigeria Plc, and Integrated Dairies Limited,

The agricultural sector was not left out in this one year under review. To consolidate on the gains made so far under the Anchor Borrowers' Program, AGSMEIS and other agri-business interventions, the CBN Governor held a meeting with the State Governors of cassava producing states and further facilitated the signing of a memorandum of understanding (MoU) between Nigeria Cassava Growers Association and large-scale Cassava Processors on 21st November, 2019. This became pertinent to stem the outflow of scarce foreign reserves to the tune of \$600m on cassava imports. Mr. Emefiele unveiled the CBN's plans for 2020, while delivering the keynote address at the 54th Annual Bankers' Dinner in Lagos on Friday, November 29, 2019.

The Governor announced the establishment of a Bankers' Charitable Endowment Fund that would fund an annual major charitable initiative starting in 2020. According to him, the Bankers' Charitable Endowment would directly fund strategic social programmes in states and local governments across Nigeria. He expressed the hope that the Fund would spur a trend across other industries and sectors to collaborate and work together to better the lives of all Nigerians.

He said the economy experienced some level of growth even though it had remained slow due to

"some structural constraints". According to him, the slow pace of growth exposed the economy to shocks, such as changes in the oil price, and sentiments in the global financial markets.

"Though we will act to appropriately adjust the policy rate in line with unfolding conditions and outlooks, the CBN will continue to ensure that the policy interest rate is delicately set to balance the objectives of price stability with output stabilization," he explained.

Mr. Emefiele recalled that Nigeria's GDP had remained positive, adding that the growth in GDP had been driven by improvements in agriculture, oil and gas, manufacturing and ICT as well as the intervention programmes of the Bank, along with sustained supply of foreign exchange and stability of the Naira.

He also attributed the decline in inflation to the CBN's maintenance of a tighter monetary policy rate at 13.5 percent, and its efforts at improving local production of agricultural products. Speaking further, he said that the financial system of the country was now stronger, bearing in mind that capital buffers and liquidity in the banking system have continued to improve.

On Nigeria's External Reserves, the Governor had said that the Bank's effort at supporting domestic production in the agriculture and manufacturing sectors among other policies, had continued to encourage foreign exchange inflows into the Nigerian market. According to him, over \$60 billion worth of transaction had taken place since the inception of the Investors' and Exporters' window in April 2017, adding that Nigeria's foreign exchange reserves were above \$40bn as at October 2019, compared to \$23bn in the same period in 2016.

The Governor also highlighted the Bank's effort in development financing, which he said, the CBN had sustained in order to help support growth in critical sectors of the economy such as agriculture and the manufacturing sectors, through programmes such as the Anchor Borrowers' Programme, the Commercial Agriculture Credit Scheme and the Bankers Committee Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS).

Alluding to the economic face-off between some countries, as well as the likely challenges the economy could face due to moderate oil prices, he stressed the need for Nigeria to build up the necessary buffers that would protect the economy from pressures in the global market. He then restated the need to boost local production and diversify the country's export base.

"We should encourage Nigerians to consume goods that can be produced in Nigeria, knowing full well that a time will come when we may not have the foreign exchange to aid such activities, if we continue to rely on earnings from the export of crude oil," he emphasized. Mr. Emefiele posited that it was possible to envision a productive Nigerian economy that was not reliant on exports of crude oil.

The Governor urged all stakeholders to believe in Nigeria's greatness, stressing that the country was blessed with abundant human and natural resources, which if truly harnessed would propel Nigeria into one of the world's top 20 economies. "We must also consume what we produce and produce what we consume. We must discourage the propensity to import what can be produced in Nigeria. This is because if we do not reduce import, the same imports will kill us knowing full well that such activities do not aid our efforts to create jobs and support the growth of our local industries, he charged.

As part of the Bank's priorities for 2020, he said the CBN was determined to maintain its stable exchange policy stance in the near to medium term given the relatively high level of reserves. He said the Bank would also sustain these efforts in 2020 as part of the Bank's plan to reduce our financial exclusion rate to under 20 percent over the next year.

The Governor said the Bank would also improve access to credit for farmers and SMES by deepening its intervention efforts through the Anchor Borrowers' Programme, Commercial Agriculture Credit Scheme and the Real Sector Support Funds, amongst others. Similarly, he said the Bank, in pushing to improve access to finance and credit, would protect them from unfair banking and lending practices by maintaining oversight on the banks and other financial institutions. In addition to making sure that financial institutions

support the growth of the real sector, Mr. Emefiele said the CBN, working with the Nigerian Export Import Bank (NEXIM), would improve access to the N500bn facility designed to support the growth of Nigeria's non-oil exports.

While disclosing that the Bank, working with the fiscal authorities, will support the recovery of the economy, the CBN Governor reiterated that Nigeria was open to business and urged investors to take advantage of the investment opportunities in Nigeria. He assured that investments in Nigeria would be duly protected by the authorities. The goals of the comprehensive plans by the Bank were substantially achieved with a few setbacks.

In furtherance of Emefiele's aim of building a central bank that is people focused, the Bank issued consumer protection regulations to all finance houses on December 20, 2019. The regulations were issued to improve compliance with the consumer protection framework which was issued in 2016, and prescribed fair treatment of consumers. Also highlighted in the regulations were transparency and full disclosure by the financial institutions in dealings with the consumers, particularly as it regarded loans and other financial services. With the new regulation, hiding information in small print is no longer tenable as the minimum stipulated font size is now size 10, to ensure legibility and clarity.

The regulation also advocated for responsible business conduct in lending, sales promotion, data protection and privacy, and debt collection. To fast track redress for consumers, the regulation further required that institutions have multiple dedicated channels to receive and handle consumer complaints, including emergency channels to handle time sensitive complaints like fraud related issues.

2020 dawned full of promise for the achievements of the Bank's objectives in diversifying the economy and building a stable macroeconomic and financial system through backward integration. However, tragedy struck in the form of a global health crises which snowballed into a global pandemic. The pandemic not only affected the health sector, but world economies as nations around the globe were forced to shut down in a bid to contain the spread of the novel coronavirus, which we now know as COVID-19.



Conversation with the President

With the economic devastation caused by COVID-19, the Emefiele led-Central Bank of Nigeria rose to the occasion and injected N1trillion across all critical sectors of the economy. A further N100billion in loans were made available specifically to the health sector to assist in the war against the Coronavirus.

Furthermore, the Bank made available N50billion as Targeted Credit Facility loans to households that had been adversely affected by the pandemic. Mr. Emefiele also announced a 1 year extension of moratorium on all principal repayments of CBN loans. He also reduced the interest rates on CBN loans from 9% to 5%.

In addition, the CBN and the Banker's Committee in collaboration with concerned members of the private sector put together the Nigeria Private Sector Coalition Against COVID-19 (CACOVID) and pooled resources together to build and equip isolation centers as well as provide food palliatives for the extremely poor in the society. CACOVID partnered with the extensive food distribution network of business mogul, Alhaji Aliko Dangote, to reach the people "at the bottom of the pyramid".

The Governor disclosed that the CBN had disbursed over N300 billion to operators in the Small and Medium Enterprises space, together with the Healthcare, Agriculture, and

Manufacturing sectors, among others to cushion the effects of the Coronavirus pandemic on their businesses.

This was disclosed in the communiqué issued by the Monetary Policy Committee of the Central Bank of Nigeria, read by the Governor, on Monday, July 20, 2020. It is important to note that the CA-COVID private sector intervention scheme and other sector-specific facilities were not included in the disbursed fund.

While recognizing the supportive developmental roles of the CBN towards addressing some structural issues amid COVID-19, the committee disclosed that the CBN had disbursed N49.19 billion out of the N50 billion Household and SME facility to over 92,000 beneficiaries since the facility was launched in April 2020.

Also, the Bank disbursed over N152.9 billion to the manufacturing sector to finance 61 manufacturing projects and another N93.6 billion to the Healthcare sector, amongst many other sector-specific facilities.

He said, "The N100 billion healthcare and N1.0 trillion manufacturing and agricultural interventions meant to support the rebound in growth from the impacts of the pandemic on the economy was laudable."

The Committee further commended the CBN coordinated CA-COVID – private sector intervention scheme, which had mobilized over N32 billion to support the economy, lives and livelihoods. It was hopeful that upon further drawdown of the intervention facilities, the needed reset and rebound of the economy would become a reality.

Indeed, it has been an eventful stewardship for the CBN Governor, Mr. Godwin Emefiele, and despite the winds that life may throw his path, he remains doggedly resolute, to build a Central Bank that Nigerians can relate with and win every Nigerian to be economically patriotic, to sustain our economy by producing what we consume and consuming what we produce.

Editorial Epilogue



Declaring an event open

The past six years of central banking in Nigeria have witnessed some dramatic turn of events and challenges. Interestingly, the technique deployed in resolving these challenges has been ingenious, or rather far from usual expectations. This could, to a reasonable extent, surmise the leadership style and strategy of the Governor of the Central Bank of Nigeria (CBN), Mr. Godwin Emefiele, since he stepped into office in June, 2014.

From inception, Mr. Emefiele left no one in doubt of his desire to chart a trajectory that distances from the usual, when he declared making the CBN a people-central bank. The declaration was based on the need to tackle the twin problem of endemic poverty level and embarrassing youth unemployment pervading the country.

The CBN under Mr. Emefiele's watch, designed a novel development financing model that channels fund into the production of commodities, in which

the country has competitive advantage known as the Anchor Borrowers' Programme (ABP). It started with the rice revolution in Kebbi State and has been extended to 17 local commodities namely wheat, tomatoes, cotton, cassava, oil palm, cocoa, poultry, livestock, milk and dairy products among others.

The model provides for an anchor (off-takers) who negotiates to buy produced commodities from the farmers at an agreed price. It helps to remove the uncertainty usually encountered by farmers looking for market for their produce. ABP has not only saved the country huge rice import bill (close to \$1bn per annum), but also created employment. The most significant aspect of the ABP is the realization of behavioural change among consumers, as Nigerians hardly bother anymore about consumption of foreign rice. Similar import-substitution strategy has been extended to milk and dairy products, cotton and textile production



Celebrating the second term

as well as the entertainment industry. Mindful of a mono-product economy that is highly vulnerable to external shocks, with crude oil production and export constituting more than 90 per cent of foreign exchange earnings, the CBN Governor, persistently focused his radar in ensuring stability in the forex market and to preserve foreign reserves.

The 2015/2016 economic recession brought about by the fall in global prices of commodities, including crude oil prices, with effects similar to the current COVID-19 scenario, provided an opportunity for the new Governor Emefiele and his team to prove their mettle. The Naira exchange rate took a deep dive, depreciating from N197/\$ to about N525/\$, with the country's foreign reserves speedily depleting due to massive import bill, including food, household consumables, medical tourism, payment for school fees abroad, and racketeering etc. Needless to mention that these heterodox monetary policy mechanisms did not go down well with many stakeholders, especially multilateral financial institutions, foreign and vested local interest groups.

Given the development, the Bank and its Management came under intense pressure to devalue and allow a free fall of the local currency, Naira, as vested interest and speculators were waiting to swoop and feast on the weak Naira. To halt the slide, the CBN swiftly delisted 41 items from access to forex for their importation from the Nigerian foreign exchange market and introduced some ingenious forex management techniques by creating the Investors and Exporters (I&E) forex window and a retail window for the payment of medical and school fees abroad. These not only stemmed the tide of foreign reserves hemorrhage,

but also stabilized the forex rate at N360 per Dollar and grew the economy out of recession in less than one year. A cursory look at various Monetary Policy Committee (MPC) decisions, reveals a resolve towards reduction of key interest rates, exchange rate stability and strengthening the risk-based supervision framework of banks to ensure overall health of the banking system. This includes the establishment of secured transaction, National Credit Registry as well as a National Credit Scoring System to improve access to information on borrowers in order to enhance good credit decisions and financial inclusion. Other innovative financial instruments have been introduced to boost enterprises in agriculture, manufacturing, health, oil and gas. It extends to building resilient infrastructure that caters for both lower and upper ends of the financial market.

His series of lectures and commentaries can be described as agenda setting, projecting economic development path likely to lead to sustainable industrialization takeoff based on his philosophy of "Produce, Add Value and Export" (PAVE). As a way forward and even during this Covid-19 pandemic, Mr. Emefiele has consistently canvassed the need to follow the progress being recorded in agriculture with light processing manufacturing activities. This is with a view to achieving the desired forward and backward linkage effects between agriculture and the manufacturing sectors, resulting to local production with increased value-added and competitive enough for export, which guarantees higher export earnings.

In the years ahead, the CBN Governor has already set the tone on the way forward. His declaration that "The time is now" for the country to vigorously pursue self-reliant economic development as an escape from the present import-dependent and monocultural economy mirrors his patriotic zeal for the country. As a visionary, Emefiele envisages investment in light manufacturing, affordable housing, renewable energy and cutting edge research as means as realizing an economically stronger Nigeria.

The above rundown was articulated in this Special Edition to chronicle Emefiele's thoughts and strategies deployed to drive the economy in the last six years and beyond.



Committee of Governors



Godwin I. Emefiele
CBN Governor
(Chairman)



Aishah Ahmad
Deputy Governor
(Financial System Stability)



Edward L. Adamu
Deputy Governor
(Corporate Services)



Folashodun A. Shonubi
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(Operations)



Kingsley Obiora
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